S. HRG. 100-109

AGRICULTURAL AID AND TRADE MISSIONS ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY, AND GENERAL LEGISLATION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

S. 659

A BILL TO ESTABLISH AGRICULTURAL AID AND TRADE MISSIONS TO ASSIST FOREIGN COUNTRIES TO PARTICIPATE IN UNITED STATES AGRICULTURAL AID AND TRADE PROGRAMS, AND FOR OTHER PURPOSES (AGRICULTURAL AID AND TRADE MISSIONS ACT)

MARCH 10, 1987

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AGRICULTURAL AID AND TRADE MISSIONS ACT

TUESDAY, MARCH 10, 1987

U.S. SENATE, SUBCOMMITTEE ON AGRICULTURAL RESEARCH, CONSERVATION, FORESTRY, AND GENERAL LEGISLATION OF THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,

Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., room SR-332, Russell Senate Office Building, Hon. John Melcher (chairman of the subcommittee) presiding.

Present or submitting a statement: Senators Melcher, Fowler, and Bond.

STATEMENT OF HON. JOHN MELCHER, A U.S. SENATOR FROM MONTANA

Senator MELCHER. This afternoon, we are meeting to consider S. 659,[1] the Agricultural Aid and Trade Mission Act. Our first witness is Orville Freeman, president, Agriculture Council of America. Orville, will you take the witness chair down there that is convenient to you.

Mr. FREEMAN. This is where I used to sit, Senator.

Senator MELCHER. All right, Orville.

Mr. FREEMAN. Maybe a hundred times, but it is has been a hundred years.

Senator MELCHER. This room is not strange to you at all; is it?

Mr. FREEMAN. I am glad to be back, particularly with Senator Melcher in the chair. I thank you. Mr. Chairman, may I proceed?

Senator MELCHER. Please proceed, Orville.

STATEMENT OF ORVILLE FREEMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AGRICULTURE COUNCIL OF AMERICA

Mr. FREEMAN. Mr. Chairman, I am privileged to appear before this important subcommittee. Your diligence in moving so promptly to call this hearing is most commendable. It is consistent with your long and distinguished record of leadership and service to American agriculture. Thank you for inviting me to discuss with the subcommittee your legislation to provide for the greater use of agricultural export promotion programs to establish, maintain, and improve United States export markets.

I am delighted to support that objective because, as you know, that is the primary thrust of the Agricultural Council of America,

[1] See p. 42 for a reprint of S. 659.

a unique umbrella organization that cuts across the entire spectrum of the U.S. agricultural industry, from producers and their suppliers into transportation and processing and on to exporters and those who work abroad on economic development and commercial market building.

Mr. Chairman, I would like to submit for the record a copy of a policy paper setting forth the policy of the Agricultural Council of America entitled "Building Commercial Markets: The Key to U.S. Rural Prosperity." [2]

Senator MELCHER. Without objection, the paper will be part of the record.

Mr. FREEMAN. Thank you, Mr. Chairman. May I, with your permission, briefly summarize this policy paper rather than taking up the time of the subcommittee to read the entire thing?

Senator MELCHER. Certainly.

Mr. FREEMAN. The programs developed and carried forward in the late 1950's and early 1960's laid the foundation for the prosperity of the 1970's and early 1980's in rural America. These programs combined humanitarian food relief, economic development and commercial market building, and were sometimes called the action triangle.

In the 1970's, commercial demand worldwide, but especially in the so-called less-developed countries, then moving toward the level of newly industrialized countries, climbed so rapidly that so-called surpluses disappeared and shortages rather than surplus dominated the world agenda.

Unfortunately, the "action triangle" thrust of the 1960's lapsed in the 1970's with the result that the world returned to a surplus position in the 1980's comparable to what I faced as Secretary of Agriculture in 1961. The primary thrust of the ACA action program is to carry forward in the last half of the decade of the 1980's the multiple programs of humanitarian food relief, economic development, and commercial market building that made possible an increase in U.S. agricultural exports from the $6.3 billion a year when I left the Office of Secretary of Agriculture in early 1969 to the $43 billion in calendar year 1981.

Having prefaced my comments by outlining our perspective, I would like to return to a more direct response, Mr. Chairman, to your bill. The leadership of the Agriculture Council of America met 2 weeks ago today with Secretary Lyng and Administrator Peter McPherson of the Agency for International Development on many of the same areas addressed by your legislation. It was a very encouraging meeting, the latest of several signals we have had from the administration of movement toward more aggressive, creative use of the tools they have, especially surplus commodities to advance our agricultural exports.

In some areas, particularly the timely programming of overseas projects, we found that part of the problem was one of communication. These two key executives knew this was a problem, shared our view and general philosophy, thought they had resolved the logjams, and were not aware there had been some relapses.

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[2] See p. 32 for the policy paper submitted by Mr. Freeman.

So, we continue to hope that the objectives you seek to accomplish will, in fact, be implemented under the discretionary authority the President, the Secretary, and the AID Administrator already have. We continue to believe the movement is in the right direction. A strong commitment to these goals at the highest level of the Government is a prerequisite to their accomplishment. Your legislation and any other action the Congress can take to speed this movement along, therefore, is a most welcome development.

However, Mr. Chairman, I would like to make two observations based on the draft of the legislation that we have reviewed. First, you might want to consider including in the country trade teams some representatives of private-sector companies as well as cooperatives, market development cooperators, and private voluntary organizations.

To rebuild the coalition that fashioned an effective market-creation force in the late 1950's and 1960's, we must have a prominent role for commercial agriculture. We can only gain from the inclusion of their particular expertise in this effort to help all the segments of the industry.

Second is the list of countries enumerated in section 4. I have to wonder if such a list does not unnecessarily tie the hands of those who must administer this law, and not allow them to adjust to changing circumstances, especially political ones. And by political ones, I mean not geo-politics per se. I mean the kind of political leadership which focuses on agriculture and which we can be confident will carry forward programs agreed upon.

And while I do not have at the moment any specific alternative language to offer, I am not clear as to the criteria that were used to develop this list. For example, I have been privately reviewing recently some very important research by the International Branch of the Economic Research Service of the Department of Agriculture on economic development and agricultural trade patterns since 1960. That study is now undergoing a final peer review before it is ready for publication.

If it holds up, one of the more tangible things this research will produce is a list of 20 countries that are projected to show significant growth in food and feed imports through the rest of the century—ready customers, if you will, based on historical patterns and their current state of development.

Of the 15 cited in the legislation, however, only 3, Mexico, Morocco and Nigeria, are on the preliminary list of 20 when it comes to total agricultural trade. Three are on similar lists for one or two commodity groups only: India, Indonesia, and Malaysia.

I might suggest that this is indicative of a need for refinement in our initiatives. The research shows that many of our best potential near-term customers—the list of 20—are AID graduates, newly cut out of the kind of programs that we are talking about, just when our continued help could move them to the explosive demand level.

Many other Third World countries have not reached that point in their development. I suspect others on your list are in this lower income category. They need, perhaps, a mixture of programs on a country-by-country basis weighted more to aid than credit, much like "action triangle" I mentioned earlier. While they could be good customers now and should be approached, they may not be at

the stage of their internal development where food demand is explosive, and they can quickly become strong customers.

So, Mr. Chairman, I wonder if you might not want to consider some instruction for these aid and trade missions under which a certain number of their targets and a certain amount of their resources would be devoted to the higher income developing countries that are already prime candidates for more U.S. exports.

Minimum help at the take-off point could well mean explosive demand for our food, fiber, and processed products. The balance could be devoted to a more basic commercial market building operation in the lower income nations.

Again, Mr. Chairman, I want to express my appreciation for this opportunity to testify before the subcommittee, and would be happy to try to respond to any questions.

Senator MELCHER. Orville, your experience as Secretary and your work since then makes you a long-term observer and activist in the very questions we are trying to address in this bill. In your first point you suggested that we consider including in the country trade teams representatives of private sector companies as well as cooperatives. I thought we did that. I am looking for that in the bill.

Mr. FREEMAN. The copy that I read, Mr. Chairman, I did not. There might very well be a later one. Cooperatives, of course, are private sector companies, but they are importantly distinguished from what in the colloquial sense of the word is considered a private company. It is those that I think could make a contribution and should.

The railroads, barge lines, some of the financing institutions, some of the grain trade perhaps.

Senator MELCHER. I think you are right, Orville. It was my intent to include the private sector which would be, just to use an example, like Harvest State.

Mr. FREEMAN. Perhaps Burlington Northern. Perhaps some of the barge lines. Perhaps some of the machinery——

Senator MELCHER. How large do you think these missions can be to be effective?

Mr. FREEMAN. I think they should not probably be more than about three people. I think you could spread out. I do not think there is any fast rule, but if there are too many, it is too burdensome, and they start bumping into each other. I think knowledgeable people certainly from AID and Agriculture, and then someone from the other choices. At the most, five certainly.

Senator MELCHER. Well, on each of the teams there would have to be somebody from Agriculture and Aid, though, would there not be?

Mr. FREEMAN. Yes, I think there definitely should be.

Senator MELCHER. That is two slots right there.

Mr. FREEMAN. That is two slots right there.

Senator MELCHER. And then up to about three, three more slots.

Mr. FREEMAN. I think we would not want more than five.

Senator MELCHER. You think five is it?

Mr. FREEMAN. I think five is it. I think you could do with three, if you had someone from the quote "private sector," PVOs, cooperatives, traditional private sector, that were a part of that pro-

gram that brought that perspective, or perhaps someone from the private sector and PVOs that might have a distinct perspective.

Senator MELCHER. Now, how long do you envision the mission should last? Do you expect them to do whatever they are going to in a country within 30 or 45 days or 60 days? How long a time period do you think it takes for them?

Mr. FREEMAN. Well, I think we would have to experiment a bit to get a real feel for that. The first objective would be to impress the U.S. Government representatives in AID and the State Department and in Agriculture who are there that is clearly the policy to carry forward such a program. That would perhaps be the most significant and important thing, and the Ambassador would get the word as well.

The second part of it would be to go to the Chief of State, and impress upon the Chief of State that we really want to do something, but as a part of doing it, we would expect that there would be a strong political commitment and supporting commitment to get results, and otherwise it is not in anybody's interest that we should do this.

If those are forthcoming, why then it is to see what they need. If they need something for a 60-day span, it would seem to me that we ought to perhaps send somebody out there for 60 days, but not thinking about this team being there every place they go for 60 days. It would depend on what they find what is needed. But most important perhaps of all would be to say, look, from the Secretary of State and the President on down, we are sending this out to Congress. They said it should be done, and we mean business, and this is now one of the cardinal features of U.S.-foreign economic policy. It is right out in front, and it should get appropriate priority in what you do in the American embassy and from the host government as well. That message, if I may say so, is what really needs to get across.

Senator MELCHER. One of the reasons we need to do something more than whatever we are doing now is because we have this bottleneck here in Washington. How does a mission team overcome that? Will the language that we have in the bill likely overcome the redtape we experience here in Washington?

Mr. FREEMAN. Frankly, it will not overcome all of it, but this strong evidence of interest of followup and looking at it will certainly help. As I mentioned, we did have this meeting with Secretary Lyng and Administrator McPherson. They listened very intently, seemed to be responsive and one of the points we made very strongly is that they themselves needed to be much more personally involved to set goals and targets and to insist on results. As long as this was delegated out and was not given primary attention, with five different departments of Government involved in it, it is extraordinarily difficult not to let it get bogged down. They seemed to respond favorably to that suggestion. And also both indicated that we had brought to their attention from the group that was the five different segments of Agriculture Council of America some specifics that they did not know about, and that they said they would follow up, particularly where timeliness is concerned. So, I do not think there is any easy answer to this, but to keep pressing and hopefully, now in the council, we have a channel of communi-

cation, and the Secretary of Agriculture said that he hoped we could have such meetings again. That he had found some things that he did not know.

I felt that both of them were quite sincere in that regard, and it appears that they have worked together before, and maybe this will help get the kind of priority attention that is the real key.

Senator MELCHER. If this should become law, when should we expect the mission team to be appointed?

Mr. FREEMAN. I do not think 30 days would be too long a period at all.

Senator MELCHER. It could happen fairly rapidly.

Mr. FREEMAN. If they want to move, why they can move. And if Congress tells them to move, why they should move.

Senator MELCHER. I'd like to go back to the composition of a mission team. If we had a representative of AID, a representative of Agriculture, and then somebody representing the private voluntary organizations and cooperatives that work overseas, that would be three. Suppose we then had a fourth. For instance, if we had somebody representing wheat, would there be a tendency to think we should also have somebody representing the dairy end of it, or the soybean end of it? Are we going to run into that?

Mr. FREEMAN. I think that might well tend to take place. It would appear to me that we should try and avoid that, and people who go should be thinking in this instance in terms of all of agriculture, not——

Senator MELCHER. Rather than one particular commodity.

Mr. FREEMAN. That is right. Because what we are really seeking to do is to review carefully the country's potential, and move toward a special program for "x" country. And whatever commodities fit that need should be moved accordingly.

Senator MELCHER. In each instance, they could have various commodity groups, though not official members of the team, could participate in the determination. For example, U.S. Wheat or the group representing feed grains. What is that group called?

Mr. FREEMAN. Feed Grain Council.

Senator MELCHER. Feed Grain Council. Would it be practical that they be involved to the extent that they have someone in that area of the world?

Mr. FREEMAN. It would indeed, and going even further than that, Mr. Chairman, if I were preparing such a team, I would reach out to the international agencies that were involved, and say now there ought to be a total program here in this country. If the World Bank has a representative, if the agent development or bank has a representative there, whoever is there, ought to be in a common overall effort because the fundamental thing here is to create purchasing power. The shortage is ability to buy.

What we focus on in Agriculture Council of America is to create the capacity to buy, and then the respective commodities will move into that capacity depending upon the need and perhaps their own marketing skills. But fundamentally the problem now is they cannot afford to pay. They do not have the money. But as part of this to put together a complete group focusing on the goal of getting a country moving. When it moves, why then money in the

pocket, $100 per capita income in many countries would have a pronounced effect upon our exports in short order.

Senator MELCHER. I think the point of listing these countries is to get something down on paper. Who prepared this list of 20, the Economic Research Service?

Mr. FREEMAN. This is a very interesting study, Mr. Chairman, that I have had a chance to read most of and think about a little bit. It has gone on for several years. It is the Economic Development Section of the Economic Research Service of the USDA.

Senator MELCHER. Do you have that list of 20, Orville?

Mr. FREEMAN. No, I do not, but I have it in the office. I do not actually have that list of 20 with me.

Senator MELCHER. Well, would it not be wise just to put the whole list of 20 in?

Mr. FREEMAN. Sure. We could do that.

Senator MELCHER. I mean put the list in the bill itself. Does that bog us down too much in detail?

Mr. FREEMAN. I would think that is bogging down a little bit too much in detail to name all of the countries, at least at this stage of the game. You might want to call up the ERS in this study. It has gone on for 2 years. It is involved in the land-grant colleges. It has been very thorough, and it tells quite a story of how economic development has resulted in pronounced increase in agriculture exports. It shows that relationship dramatically. It illustrates it by countries.

Then it makes another point that I frankly had never quite thought about, and that was the interesting one that when countries begin to get to the so-called take-off stage, they may be removed from the assistance list as a less developed country, and this is exactly the point where they can really move rapidly into becoming a market, and just at that point when the demand for resources, for foreign exchange and the rest, is at a peak, if they can keep that growth, currently we would tend to cut them off because they no longer met the criteria.

Senator MELCHER. In other words, they are off the list for Public Law 480?

Mr. FREEMAN. Right.

Senator MELCHER. And they probably would not be considered for section 416?

Mr. FREEMAN. Right.

Senator MELCHER. And right at the time when they might become a great customer, you might let them slide backward.

Mr. FREEMAN. Exactly, or certainly they would not go forward as rapidly, and this is something that might bear some attention.

Senator MELCHER. All right. One final question. Are we correct in this concept of looking at the whole portfolio of programs that are available?

Mr. FREEMAN. I think we certainly ought to look at everything that is available and what combination would be the best for a particular country, given that country's needs and capacity to use certain kinds. Perhaps they could use other kinds, or it should be staged in, but the whole bag of tricks, so to speak, ought to be reviewed in light of the country's potential, its leadership, and the stage of its development and the rest.

Fundamentally, the country becomes the customer, and we look at the country instead of looking at particular commodity vis-a-vis the country. We look at the total need of the country for its economy to progress and get to the position where it can buy, and then the commodities come in.

Senator MELCHER. Thank you, Orville. Senator Bond.

Senator BOND. Thank you, Mr. Chairman. Mr. Freeman, I am sorry I was not here for your oral presentation. I have had an opportunity to read through your testimony and we certainly appreciate the very good work that you and your organization are doing. We share your commitment to improving our position in the export markets.

I gather from reading your testimony, though, that you feel it is important to give discretion to the administration in promoting exports and as export markets develop, to give them the flexibility to deal with them. Is that a fair assessment of the thrust?

Mr. FREEMAN. Yes, I think there needs to be—we focus particularly on the country choices at the moment, and I think some of the research that has been referred to, an evaluation going forward ought to be a little more study and attention to setting the list of countries specifically and getting it into legislation with the force of law.

Certainly I think there needs to be also flexibility in developing the country program for the given country. A chance to consult with people who are out there, the agricultural counselor, the AID people, and the rest, and the Government itself, and focusing a program accordingly. So there will need to be, I think, adequate flexibility.

Senator BOND. I do not know whether you addressed it before—again, my apologies. Do you think we should spend more of our resources, our promotional budgets, in Latin America, in Third World countries, where we do not have the markets already, but we may have them in the future?

Is this area where you see growth?

Mr. FREEMAN. Very definitely, Senator, because we have roughly 40 percent over capacity in terms of our domestic needs. When I became Secretary of Agriculture 25 years ago, it was 10 percent. We could do things then that we cannot do now. We are much more dependent on exports now than we were then.

Now, there just is not that potential market in the industrial world. It is not there. Stable populations, high nutritional level already. The market in this was demonstrated in the 1970's with enormous increase of imports in developing countries that became so-called newly industrialized countries. They have increased their percentage of our exports even in these hard times while the rest of the world has fallen off because it is desperately needed.

As soon as there is some economic development, and it starts very often on small farm development, and they have a little money in their pockets, it moves to a better level of nutrition and diet inevitably, and so it is there. The people are there. The need is there. The potential economy is there and we certainly have the resources in our commodities to make much better use of them. But that is the target for the future. We need to not permit ourselves to be in the position of residual supplier to other countries

around the world, and we are going to have to play some hardball in that connection, but that, in my judgment, is not the answer.

The answer is to go out and build those markets.

Senator BOND. Do you have any comments on increasing the minimum tonnage under the section 416 program. Frankly, I have heard some concern that by raising the minimum tonnage, that there may be local disruption, and there could even possibly result in trans-shipments of these commodities. Do you have any views on that?

Mr. FREEMAN. The problem there is one of management on the scene and proper program development. There is a legitimate problem of disincentivizing. If you dump commodities around carelessly, you are going to force prices down and discourage increased production, and improvements in the economy. But we have learned how not to do that. So the problem is not going to result in terms of the level of tonnage.

We ought to permit all that we can use under good standards of measurement effectively put to use, and that is a management problem.

Senator BOND. Then we probably ought not to go in the direction of increasing by legislation the minimum tonnage, but leave that to the FAS to make those judgments?

Mr. FREEMAN. I think if the Congress said that the maximum use should be made consistent with our historic pattern of real and effective building of markets, and perhaps minimum tonnage would need to if that were not done with additional kinds of surveillance so that it would be properly used. But now with these commodities, and what we have learned on how to use them in these respective countries, we can use them at less cost than we can sit on them. ERS studies show that. The study to the Joint Committee of Congress showed that.

There is not a budget problem really. There is an accounting problem. If you just wanted out of a clear blue sky to say the wheat that is in reserve after 2 years will value at 10 cents a bushel, and then you would move it out. You would not have a budget problem then, and it would be costing you less than sitting on it.

Senator BOND. Finally, do you have any thoughts or any comments on changing the monetization rules for the private volunteer organizations?

Mr. FREEMAN. I think that much better use should be made of monetization. I think that it could be used in a whole variety of ways. I think it has been used stiffly, conservatively, and it has not gone forward effectively. I think there ought to be every push to see to it that it is used, and that soft currency can be accumulated. It can be used for private investment. It can be used for domestic economic development needs in the country in question, roads, ports, all kinds of things.

In some places it costs more to move a bushel a grain from the receiving port to the ultimate user than it does to move it from the fields of Montana all the way there.

Senator BOND. Thank you, Mr. Freeman.

Mr. FREEMAN. Yes, sir.

Senator BOND. Thank you, Mr. Chairman.

Senator MELCHER. Orville, I want to commend you not only on your testimony today. I want to commend you on your work over the past several years. I think perhaps what you are doing now will become monumental with your experience as Secretary and your experience since then in the private sector. You are in the unusual position in our history of being a sage-adviser to both the executive branch and to the legislative branch of our Government on agricultural export matters. I wish you continued success in that role.

Mr. FREEMAN. Thank you, Senator, for your very, very generous remarks, and it is always a privilege to work with you.

Senator MELCHER. Our next witness is LaVern Freeh, vice president for public and international affairs of Land O'Lakes.

STATEMENT OF LaVERN A. FREEH, VICE PRESIDENT OF PUBLIC AND INTERNATIONAL AFFAIRS, LAND O'LAKES, INC., MINNEAPOLIS, MN

Mr. FREEH. Senator Melcher, like Mr. Freeman, I want to commend you on your efforts over the last several years in support of international development and trade legislation that will make it possible for companies like ours that work in this area to be effective. We commend you, and on behalf of our 325,000 farmer owners, we appreciate the opportunity to testify here today.[3]

Let me remind you that with the joint venture with CENEX, we have now moved out into your State, and so hopefully you will appreciate our presence there, and we will certainly appreciate having this closer association with you.

Senator MELCHER. We welcome your tying in with CENEX. I think you are going to help our State immensely.

Mr. FREEH. I think it is going to be very productive. As you know, Senator Melcher, about 7 years ago, we made a major commitment to get more involved internationally and the feeling was, as Governor Freeman had indicated, that if we are going to be successful in the years ahead, we simply had to become more involved internationally because we had to understand the forces that were at play internationally.

We had to be in a position to try to influence some of those forces. The markets in the industrialized countries are pretty mature, so we wanted to get more actively involved in helping to develop new markets in the developing countries. We started out on a two-pronged approach. First of all, let us go out and see what we can sell, but second of all, more long term, we organized a staff of technical experts and specialists who would get involved in international economic development.

In my paper I cite a number of examples of how we have participated as a partner with the U.S. Government and with other cooperatives and with the National Cooperative Business Association and ACDI and others in carrying out some international economic and market development work.

Overall, I must say that our experience has been rewarding, and we have received some national and international recognition for

[3] See p. 35 for the prepared statement of Mr. Freeh.

our efforts. Unfortunately, we have also encountered our share of what we feel are unnecessary frustrations and governmental roadblocks in achieving these successes. For example, the two monetizing programs that we are now involved in, the one in Jamaica and the one in Ecuador. To get approval for these programs, we had to get approval through the departmental coordinating committee.

This committee, you know, is to assure that projects conducted by one department of the administration do not work at cross-purposes to policy initiatives of another department. Unfortunately, our experience has been that this committee often takes an inordinate amount of time to approve projects, and then once the projects have been approved, continue to get involved. We think that once a project is approved responsibility should be transferred to the mission in which that project is being conducted. But instead, this committee keeps getting involved in such things as "call forwards" and so forth with the result that decisions are left pending, commodity deliveries are delayed, opportunities are lost, customers buy elsewhere, and hungry people go unfed.

We are in a position where on the one hand people say what you are doing is a model, and we should do more of this, and slowly, but surely the bureaucracy is strangling us. And all it takes a country like New Zealand to say, hey, maybe there is something wrong with the project in Jamaica. Now that is all it takes. When that happens the committee says well, we better stop everything and take a look at what is happening. So they put a hold on everything. In the meanwhile we are not getting any product to our projects and everything stops. Then after 2 months the committee decides, well, there was not a problem afterall, but by then the damage has been done. Somehow or other I think we should be smart enough to figure out that once a project has been approved, and the AID mission in the country in which the project is being conducted says everything is moving along okay, then the departmental regulatory committee should not get involved again and just cause all kinds of problems. Thankfully, the bill that you have introduced, Senator Melcher with the support of Senator Leahy and others, the Agricultural Aid and Trade Missions Act, addresses this and many of the other frustrations that we and the U.S. private voluntary organizations have encountered in using Public Law 480, title II, or section 416 products in our international economic development efforts.

We are particularly pleased that your bill calls for the establishment of agricultural aid and trade missions to eligible countries to encourage their participation in agricultural aid and trade programs. We believe that this will encourage greater coordination between our country's aid and trade efforts.

But, you know, once you are in it awhile, you become somewhat of a skeptic, and we find that if things are mandated by the Congress sometimes the administration just digs its feet in, and there are a hundred different ways they can stonewall you if they do not really want to move ahead on something. So, we wonder, you know, can it really work as well as we would like it to.

We certainly applaud the bill's focus on amending current Public Law 480 and section 416 legislation to make them stronger market development tools. We are most pleased by the bill's intent to

amend section 206 of the Agricultural Trade and Development Assistance Act of 1954 and section 416 of the Agricultural Act of 1949 so that they clearly provide for U.S. cooperatives and private voluntary organizations to conduct nonemergency economic development projects such as the ones that we are conducting in Ecuador and in Jamaica, and as we want to conduct under the Dairy Development Grant which we are working on right now.

Finally, we are most pleased by the provisions in your bill which would provide a 45-day turn around on project proposals submitted by cooperatives or nonprofit voluntary organizations because that is going to stop this forever waiting for somebody to make a decision. But we would also like to see responsibility for the call forward of products shifted from the DCC to the aid mission in the country where the project is being conducted.

And at a time, when abundant U.S. commodities and severe budget restrictions are the things that we are facing here with this country, why put limitations on cooperatives and PVOs that want to get involved in economic development, that want to help, that want to solve some of these problems? Why should we be putting all kinds of roadblocks in their way?

And that seems to be what is happening. Like the Coalition for Food Aid Policy and Programs of which we are a member, Land O'Lakes believes that our Nation should do everything possible to develop and coordinate country strategies utilizing a variety of food aid programs and technical assistance leading to trade opportunities.

We have demonstrated that this process can work. The problem is that we get tied up in our own bureaucracy, and it causes it to not work as well as it might.

Second, to increase the volume of food aid under section 416 including processed and value added commodities.

Third, expand the use of local currencies generated from title II and local currency sales.

Fourth, encourage as strongly as possible new program proposals from private and public sectors. Rather than discourage what is happening now, let us get more programs, and here again, we are encouraged that your bill states that cooperatives should be part of this. Currently, cooperatives are not even mentioned in the guidelines. The type of programs we have conducted are no longer encouraged, and this boggles our mind. Expedite the program approval process for these programs and expand the use of intermediate term credit to build infrastructure and develop the livestock industry.

Mr. Chairman, I want to thank you for the opportunity to testify, and I will be glad to answer any questions.

Senator MELCHER. Thank you very much, LaVern.

You are rather modest in the recognition Land O'Lakes has received from your efforts. Did not the President award you the gold medal?

Mr. FREEH. Yes.

Senator MELCHER. Was that in 1985?

Mr. FREEH. 1985, yes.

Senator MELCHER. For the work done in Jamaica?

Mr. FREEH. That is right. That is why it is so frustrating when we keep saying this is what we want to do. This is what is great, and then somebody can run in here, and say, hey, there is something wrong, and the whole process comes to a halt, and then our product does not move. And the Jamaicans are asking me what is the matter with you people. This thing is growing so beautifully. Why all this fuss?

Senator MELCHER. Have we covered it in the bill?

Mr. FREEH. I think you have covered it. I am suggesting two additions. One you covered is the 45-day turnaround. That is number one.

Senator MELCHER. That is number one, yes.

Mr. FREEH. The second thing that needs to be covered involves call forwards. Right now the DCC, not only authorizes a program, they also authorize call forwards of products. In other words, we do not bring all of the surplus products used in a project all at once. At the beginning of the year we tell the departmental coordinating committee when we want the shipments. Then we "call them forward" during the year. Under the present system, if a country raises a question about our call forward the committee stops everything until they analyze the situation. This might take 1 or 2 months.

This has a serious negative effect on our project. You cannot run a business like that, you know, holding up the shipments while a committee decides if there is something wrong. This is especially frustrating when the AID mission in Jamaica sees nothing wrong and is just as frustrated as we are because they want it to move. I spent an hour on the phone yesterday with the director of the AID mission in Jamaica who says the project is working beautifully in Jamaica. Everybody thinks it is a great project. So why are they strangling it with our bureaucratic process? Just recently we had a call forward of product held up for 2 months because New Zealand questioned whether there was something wrong with the project. The AID mission told the departmental coordinating committee there was nothing wrong. It is all great. But the DCC committee members are all busy. They do not always get together. By the time they got together and looked at the potential problem they agreed there was nothing wrong and they would release the shipment. Well, you cannot run a business that way. And essentially that is the dilemma in which we find ourselves.

If you want the private sector involved in economic development projects you have to let the private sector run it like a business. So, the first thing that is needed is the shorter turnaround time on proposals. That's in your bill. The second thing that is needed in your bill is wording that says that once the DCC has approved the project they should stay out of the call forwards. That is routine. That's detail. If they can stop every call forward, there is a problem.

Senator MELCHER. What about the monetization?

Mr. FREEH. Well, that is another thing. Of course, both of these projects are projects which are monetized, and again, right now your bill speaks to increasing the amount of product that could be monetized. We think that certainly is a step in the right direction.

As you know, the administration seemingly does not like monetization. So, you know, if you push hard enough, if you are persistent enough, if you pull, tug, kick and scream, you might get a project monetized, but the next time you try to get a project approved you probably are going to have to go back to it and do the same sort of thing.

Senator MELCHER. In your work in Jamaica, if it were not monetized, it would not be doing anything?

Mr. FREEH. Absolutely.

Senator MELCHER. You are out of business; right?

Mr. FREEH. Right. And Ecuador is the same. The way it works is the surplus product goes down. It goes down in bulk, and then it is processed, and that product is sold. And then the Jamaicans pay for that product, and the money goes back to the foundation, and that money is used for development purposes. The Jamaicans got a stake in it. They feel they are paying for some of their development. It is a beautiful project, and we keep getting compliments. On the other hand parts of the administration do not want to do those kinds of projects, monetizing, because they feel it is an inappropriate way of doing development work, if you want money for development, why do you not get money for development? Why do it this way?

Well, this way happens to be a way where everybody is a winner. It is a win-win situation. And we think it has worked great.

Senator MELCHER. Let me tell you how at least part of the Congress feels. The Secretary of State is saying please do not cut back my request for aid. We have to cut somewhere. Frankly, sending cash abroad gets harder and harder. Here we have a perfect answer. Do not send cash. Send the product, and let it be monetized. And we will reduce our storage costs here at home. So it seems to me that everybody wins on this one: the Congress, the Treasury, the taxpayers, and the country.

Mr. FREEH. That is right.

Senator MELCHER. If you good people are willing to continue to donate a lot of your time and services for nothing, I guess everybody wins a little bit more. Are you still on the board, Vern, down there?

Mr. FREEH. Yes.

Senator MELCHER. That requires a lot of travel?

Mr. FREEH. Yes, it does. But I am glad to do that. I think it is tremendous. I have no problem with that. Really my biggest problem is that we have to fight these sort of nit-picky things that get in the way of a smooth operating program that everybody seems to like.

Senator MELCHER. Then I guess if we follow your suggestion we would make a correction in the bill to ensure that once a project has been approved the call forward decision is made locally by the AID people?

Mr. FREEH. That is right. That is the only way you can run a business.

Senator MELCHER. Thank you very much, Vern.

Mr. FREEH. Thank you.

Senator MELCHER. Senator Fowler?

Senator FOWLER. No questions, Mr. Chairman.

Senator MELCHER. Thank you. All right. Our next witness is Charles Sykes, assistant executive director for CARE.

STATEMENT OF CHARLES SYKES, ASSISTANT EXECUTIVE DIRECTOR OF CARE AND CODIRECTOR OF THE COALITION ON FOOD AID POLICY AND PROGRAMS

Mr. SYKES. Mr. Chairman, it is a pleasure to be here again today, and to have an opportunity to review with you some of the provisions of the new bill, S. 659. With your indulgence, we have our testimony under print, and we would like to be able to submit it to the committee.[4]

Senator MELCHER. All right. It will be made part of the record.

Mr. SYKES. Thank you, Mr. Chairman. Many of the conditions which were reviewed prior to passage of the Food Security Act of 1985 still prevail in the world today. In some respects, they have been exacerbated. We have more hungry people today, and we have declining food aid levels compared to the 1960's, as referred to by Secretary Freeman.

Our food aid levels during the 1960's were about 2½ times what they are today. As you know, the private voluntary organizations are principally involved in targeted food aid programs with special needs addressed to vunerable groups according to age, gender, and economic deprivation.

These programs are carried out in a variety of ways. The traditional types of programs of a nonemergency nature address health and education programs in poorer countries. Additionally, we have Food for Work programs where the food is used in lieu of wages to promote infrastructure development, road building, irrigation projects, et cetera.

With U.S. agricultural exports down 37 percent since 1981 noted in the bill, and world cereals trade down an estimated 35 million metric tons from previous highs, there is a growing nutritional gap, particularly in those developing countries where domestic production has not kept pace with population, and where the debt problem is most pronounced.

There are several provisions of the bill which we think are extremely important, but let me, first of all emphasize the point made by Secretary Freeman of the importance of coordinating our food aid programs with international organizations, the World Bank, et cetera. It is clear from recent World Bank and UNICEF reports that the structural adjustment loans that are being made to the low-income countries, can cause substantial dislocation for poor people.

Many of these countries which are going through structural adjustment are going to need food aid to help address part of the problem for the poorest parts of their populations. We think that the provision in the bill which encourages agricultural aid and trade teams to approach specific countries is a very important step in efforts to identify how our country might play a very useful role in offsetting some of these problems. We particularly commend

[4] See p. 37 for the prepared statement of Mr. Sykes.

that part of it which deals with the specific formulation of concrete proposals in consultation with the host governments.

We also would like to commend you for that portion of the bill which promotes flexible uses of the food commodities. We believe that in addition to meeting humanitarian needs, food aid through PVO sales and barter arrangements can also finance economic development, and economic development is directly tied with enabling people to purchase their own food. As you know for poorer people in low-income countries most additional income they earn, perhaps 60 or 80 percent, will be spent on additional food.

We appreciate the objectives set forth in the bill dealing with simplified procedures. We believe that there is need to set a reasonable time period for the review and action on proposals submitted under both the PL 480 and 416 programs.

As the committee knows, these concerns are not new. Legislation introduced by you, Mr. Chairman, in the Food Security Act of 1985 was entirely consonant with these purposes and has been very, very valuable.

Particularly important was the 1985 amendment that earmarked 5 percent of the value of nonemergency food distributed under title II for PVO monetization. As a consequence, the administration has approved PVO monetization proposals for financing internal transportation in Tanzania, Togo, Benin, Sierra Leone, and Ghana. These sales transactions have been effectively managed by the PVOs in consultation with the host government and AID.

Mr. Chairman, I recall 2 years ago that we had difficulty getting the administration to approve commodity sales by PVOs to move food even during emergencies. So, clearly we have come a long way in recognizing the importance of meeting the internal transportation costs in providing food aid.

Somewhat less progress, however, has been made with respect to the issuance of guidelines and approval of PVO partial monetization requests for meeting ancillary costs that are not transport related. There are very important factors in effective food aid programming other than just commodity management. Indeed, the emphasis on accountability and logistics instead of using the food as part of an integrated development strategy has lessened the lasting impact of much of our food aid, and has discouraged many PVOs from taking interest in title II and section 416.

Technical assistance, project consultancy with adequate administrative backstopping, training of technical staffs, evaluation, nutrition surveys, and some experimentation with adding the components to feeding programs like oral rehydration therapy, vaccines for children, or nutrition education, exemplify the type of activities that should be routinely part of these programs.

To the extent that these activities represent additional project needs that can be locally financed by monetization, they certainly should be. A line item for partial monetization could easily be included as a routine item in every food aid proposal.

Finally, Mr. Chairman, as well you know, least progress has been made in establishing guidelines for approving proposals which entirely delink monetization from feeding programs. These are the so-called 100 percent monetization programs. CARE, for example, has

never had its proposal to monetize food in the Philippines approved, and this money was to be provided to small loan facilities for poor farmers in the Philippines.

I believe that the clear authority in your bill to permit such food use proposals is of paramount importance to the PVOs. We would like to go beyond the traditional school feeding, maternal child feeding, and food for work projects which I mentioned above. These are the principal points we wanted to make today, Mr. Chairman, and we again would like to commend you on the tireless effort and work on your part and the committee in making major changes which have been highly constructive in the Food Security Act of 1985.

Senator MELCHER. Charles, do I understand you correctly that because of hold-ups on monetization some of the PVO's are unfortunately not taking on title II programs in certain countries?

Mr. SYKES. Yes, I think the attitude prevails among some of the PVO's that it is too tedious and expensive a process to get involved. More PVO's would begin to submit proposals if they felt they would be acted upon promptly. The proposal I mentioned to you about the Philippines was 2½ years old before it was finally rejected.

Senator MELCHER. It took that long to find out you could not do it?

Mr. SYKES. Yes, and that involved only 2,000 tons of milk powder over 3 years which would have set up a fund to support loans to poor farmers to learn subsidiary rural occupations to increase their incomes.

Senator MELCHER. Now, this was CARE?

Mr. SYKES. This was CARE.

Senator MELCHER. CARE is 41 years old as we sit here. And you never had a question of how you handled the project. Nobody ever said you misused any of the commodity or lost it or something?

Mr. SYKES. No.

Senator MELCHER. Yet it took 2½ years? Was that in the last 5 years, or does this lap over into two administrations?

Mr. SYKES. This goes back to the Dairy 416 which was introduced, I think, by you in 1983–84 session.

Senator MELCHER. 1983.

Mr. SYKES. Yes.

Senator MELCHER. All right. This is very modest in CARE's repertoire, is it not?

Mr. SYKES. It is a relatively modest proposal. It was to take place over 3 years. It was to generate about $1 million. It was predicated upon an already tested methodology of making loans to almost 40 villages and 2,000 poor people. So we had a track record of working with the Filipino rural village system, and so there was no question of it being a major operation. It was an interest-ing operation. It would have certainly increased the wages of the people involved there, and certainly that would have, again, been expressed in terms of greater demand for food.

Senator FOWLER. What prevented it?

Mr. SYKES. It was rejected by the DCC. Our understanding was that the State Department conjectured it would interfere with commercial sales from New Zealand.

Senator FOWLER. Commercial sales of milk powder?

Mr. SYKES. Yes, that it would interrupt New Zealand's commercial market with the Philippines. This is roughly 400 tons of milk per quarter over 5 quarters which would have been going in in addition to the over 100,000 tons of annual commercial imports. So its significance is that it was less than 1 percent per annum of normal commercial imports. But it was viewed as being potentially market disruptive.

Senator MELCHER. That is a country where there is no commercial milk production?

Mr. SYKES. There is very limited production, as in many tropical countries. Generally milk production is——

Senator MELCHER. No milk is available in the countryside?

Mr. SYKES. Well, there is some milk available in the countryside, but in terms of meeting demand, minimal demand, there is a big gap there in terms of dairy and dairy products and the needs of the population.

Senator MELCHER. And there is no sign of any commercial activity on the part of New Zealand in those villages?

Mr. SYKES. Well, I think their market is a bit different. Yes.

Senator MELCHER. They put a couple hundred thousand pounds into the Philippines every year. That must provide enough milk for about one-tenth of 1 percent of the population if they drank a pint a day.

Mr. SYKES. There is a very substantial unmet demand.

Senator MELCHER. But the real hangup was right here in Washington with this interagency committee.

Mr. SYKES. Yes.

Senator MELCHER. All right. That is just the excuse. It is important not only to allow the monetization, but our monetization figure is tied to minimum tonnage, isn't it?

Mr. SYKES. Yes, it is. It is tied. I think in the bill it goes from 5 to 10 percent for title II and section 416 of the actual value of the nonemergency tonnage expected to be distributed over the fiscal year. For fiscal year 1987 they estimated this would be $14 million for title II, but we have nothing from section 416.

Senator MELCHER. Do we need to increase our minimum statutory tonnages in order to do much for monetization? We have it both ways, have we not?

Mr. SYKES. We feel it would be consistent with both objectives.

Senator MELCHER. The way the law is written now?

Mr. SYKES. Yes.

Senator MELCHER. All right. So this will provide enough monetization that a PVO and a cooperative's effort in one of these countries might just get off the ground. Is that about what it amounts to?

Mr. SYKES. Yes, it does. Especially with your provision to ensure that the proposals are reviewed within a reasonable timeframe. This reduces the amount of frustration and the protracted negotiations, after much time and investment by our people overseas. Yes, I think it is discouraging if we do not have a time-barred period in which we can have an answer on a proposal.

Senator MELCHER. Senator Fowler?

Senator FOWLER. No other questions.

Senator MELCHER. Thank you very much, Charles.

Our next witness will be Peggy Sheehan, cochairman of the Coalition for Food Aid Policy. Peggy, please proceed.

STATEMENT OF PEGGY A. SHEEHAN, COCHAIRMAN, COALITION FOR FOOD AID POLICY AND PROGRAMS AND VICE PRESIDENT, NATIONAL COOPERATIVE BUSINESS ASSOCIATION

Ms. SHEEHAN. Thank you, Senator Melcher. I, too, would like to congratulate you and the subcommittee for introducing this piece of legislation which I think, and I echo the opinion of my colleagues who have spoken before me, will help to rectify some of the problems that we have had in the past in getting some of the food aid programs approved. We endorse title I—Agriculture Aid and Trade Mission. I think that that is a very, very important initiative to link the development efforts of food aid programs with developing markets overseas.

I am here today representing the Coalition of Food Aid Programs and Policies and the National Cooperative Business Association. The coalition is a group of private voluntary agencies and cooperatives. You have already heard from LaVern Freeh who is also one of our members and Charlie Sykes of CARE. We also have the membership of the Adventist Development and Relief Agency, the World Relief Organization, and Food for the Hungry.

And one thing I might point out, Senator Melcher, is that our coalition represents agencies that are actually operating overseas. In other words, we are the ones who are out there in the field running the programs. We are not a coalition group here in Washington just making recommendations. We have to implement what goes into the law so that, I think, differentiates ourselves from other organizations.

Also, as vice president of food policy and market development for the National Cooperative Business Association, which overseas is called CLUSA, we are operating two of the larger food aid programs which are using the food aid for development purposes, and we are using the sales provision, or what we are calling today monetization.

The point that I would like to make, and I will then ask that my total testimony be put into the record,[5] is that as indicated by Secretary Freeman, that our future markets are in the developing world. The developing world has to be able to buy our commodities. Therefore, we have to make a commitment to development, and that we believe very, very strongly that aid today will lead to trade in the future. Considering the fact that the population in the developing world is growing constantly, this is our future market. That is where the demand is going to be.

The agriculture aid and trade missions, we feel, is an important step to identifying the targeted countries and actually developing what I would call a long-term marketing strategy that goes from aid to trade. Too often our programs have been compartmentalized, and I think that you are aware of this, Senator Melcher, that over on one side you have food aid that is administered by the Agency

[5] See p. 39 for the prepared statement of Ms. Sheehan.

for International Development. You have your Export Enhancement Programs on the other side that are run by the Department of Agriculture. The linkage is not made.

This transition is never made from the aid to the trade side. Putting together these teams, consisting of a private sector as well as a public sector initiative, and going to the country and talking with the country teams, will result in long-term plans and proposals.

When you take the Washington team to the country and put them together with the country team, you have a one-on-one face to face dialog which you never get by just sending messages back and forth from Washington to the field. I have been to several countries, and I have worked with people in AID as well as voluntary agencies and our own cooperatives. They are asking me "What do these guidelines mean?" What does the new law mean? Aid and trade missions will give us the opportunity to go out and work with the people at the field level to develop new programs. So, I think that this is very, very important legislation. LaVern Freeh has already mentioned, that the monetization, particularly for cooperatives, is very, very important. Without it, we do not exist. Unlike CARE or Catholic Relief Service, or World Vision, we are not direct feeding programs.

Direct feeding programs such as child feeding, nutrition, food for work are excellent programs, but our programs are based on cooperative development, and therefore we have to take a commodity like we did in India with vegetable oil, and actually we convert it into the local sales. With local sales, we convert it into local currency and then plug that back into developing a co-op network. And by the way, in the India program, this is a perfect example of how title II food aid has led to trade.

After the program, or after 6 years of a title II development program, it has now resulted in the first Export Enhancement sale of vegetable oil anywhere in India, direct from U.S. cooperatives to India.

We are very, very pleased to have the monetization emphasized under both title II and under section 416. One of the problems that we have experienced is that so much of the section 416 that was earmarked in the 1985 farm bill has gone to the sugar quota compensation program. I do not have any problem with that, but over $189 million has been earmarked for that program.

It has been very difficult for our voluntary agencies and co-ops to get programs approved because most of the 416 is going toward the sugar quota compensation. I was recently in Guatemala. The earmarking on 416 to Guatemala is $26 million. I asked the question, how can PVO's and co-ops participate? The answer was—only if the Government agrees that can we participate under that sugar quota, and there is a lot of commodity that is going to go in there under that program.

Fortunately, we worked out something, I think, where the local co-ops and ourselves, and Land O'Lakes will be able to work with the Government to participate under the 416 sugar quota program.

Also, I just learned recently that under the availability of commodities we could use whole grain only. We thought that we were going to be able to utilize commodities like flour, processed commodities, or soybean oil. The latest instructions that are coming

out of USDA, Kansas City office, is no processed commodities. Only that which is in inventory. And this is something we thought we had all ironed out.

So, if a voluntary agency, for example, needs flour. Under section 416, even though the legislation takes care of it, and by adding the words "and commodities and products thereof," it should reinforce that. We thought that that had been taken care of before, but obviously it was not.

Senator MELCHER. You mean you thought we took care of it in the farm bill?

Ms. SHEEHAN. The farm bill calls for processed commodities, but the instructions that are coming out of USDA in Kansas City right now is that only those commodities, like wheat, which is in inventory and is available. The industries are willing to swap wheat, but USDA now is saying no. Only that which is in the elevator is available.

And of course, another recent event is that we are being told now that there are no more dairy products available. They are all committed, and I have asked the question, what does commitment mean. How could you possibly have moved all the dairy products? So, a lot of these things will be handled by the legislation, but I will echo what LaVern Freeh said, and I think his suggestion about the call forwards not getting into the hands of the DCC is a very, very useful suggestion, and it is not covered in the proposed legislation.

As you know, I was in AID in the Food for Peace Program, we never took call forwards back to the DCC.

Senator MELCHER. How long were you in the Department working with P.L. 480?

Ms. SHEEHAN. Seventeen years.

Senator MELCHER. Seventeen years?

Ms. SHEEHAN. I started when I was a baby.

Senator MELCHER. And when P.L. 480 was a baby, too.

Ms. SHEEHAN. Right. I might also point out the words "monetization of the sales" is not new. I started in AID in 1967, and there were programs called feed grain projects—all over South America where they were using corn and sorghum with small cooperatives in small animal projects where they were developing feed mills. There were these projects in country after country such as Brazil and Colombia.

And of course, our project in Indonesia, the Land O'Lakes project in Jamaica, came before the term "monetization" was even coined. But the point was there was no prohibition in the law. You do not allow people to sell donated products on the black market obviously, but there was this flexible use of the commodities.

Senator MELCHER. We have a list of countries mentioned, just to get something on paper. There are a lot of countries out there that need these types of programs, are there not?

Ms. SHEEHAN. Yes.

Senator MELCHER. How broad is it?

Ms. SHEEHAN. Pardon me?

Senator MELCHER. How many would be a ballpark figure?

Ms. SHEEHAN. You could start with 40 as a real ballpark figure, but in trying to get something off the ground is difficult. I under-

stand the reason why these were selected. Also, I understand what Secretary Freeman was leading to. Market development countries are usually the midincome countries, but we are also interested in having some of the less developed countries, like the Bangladesh's and the India's and the Philippine's included.

Now, other countries could be visited, but we were concerned that unless you mandate something, nothing will get done. So there are several countries in Africa such as Mozambique and Cameroon and several like that, and also as I said, I just visited Guatemala. There are some key countries like Guatemala that need both traditional title II, 416 and there also can be a long-term market development strategy there, but it is longer term. It cannot result in some immediate sales, say, under commercial terms or the Export Enhancement Program.

Senator MELCHER. Do you think we have properly taken care of the question of multiyear commitment in the bill?

Ms. SHEEHAN. Now, yes. We had thought we had taken care of it, again, in the 1985 farm bill, but in practice multiyear commitments are not being made, and we as voluntary agencies and co-ops have raised that issue about multiyear commitments. Now we understand that in 416 it is subject to availability of the commodity. But everything is subject to availability of budget and commodities anyhow. All aid programs have that condition written in as a clause. So I cannot see why there is such a big deal being made out of we cannot do multiyear on 416 because it is subject to the availability.

Senator MELCHER. In these missions that we set up in the bill, what can they do that is not being done under present operations?

Ms. SHEEHAN. Well, I feel that when a team of both public and private sector people go out to the field, number one, they will tend to emphasize the fact that something needs to be done now. It is like the old story that if you have a stack of paper over here, if you have a deadline on this one, you are going to act on the one with the deadline first. So this puts a deadline, a country team is coming on 45 days from now.

That means that everyone in that country, the State Department, the AID mission, the ag attaché, the host country representatives, have to be contacted because they have visitors coming. So it will make things happen more quickly than they would if organizations were communicating back and forth by cable. Secondly, the people who will be on the team will have a certain expertise and be able to communicate directly with all the people in the field about all the options that are available.

This is one of the things that is key for people to know that there is not just a title I program offered to them, or an EEP program, but they can have more than one, or there should be a mixture of them. So that will get more of an integration of the projects. Plus in my experience in the past, if you send a team of individuals, particularly if you have USDA, AID, and State all represented, they will come back here, and they will consider the proposal their program. So they will have to expedite this through the DCC.

Senator MELCHER. You know we have this requirement on minimum tonnage. We raised the minimum tonnages from the 1985 act, and then we increased the percentage for what can be monetized.

Is it important to have both an increase in minimum tonnage and an increase in the percentage to be monetized?

Ms. SHEEHAN. If I had to make a choice, the increase in the percentage comes first, and the tonnage would come second. But the reason, in my opinion and I mentioned before, for the increase in the tonnage because so much of the 416 tonnage is being used for a totally new purpose, and that is the sugar quota.

Senator MELCHER. Yes, sugar.

Ms. SHEEHAN. And we did not anticipate that, and so there has been very little approved under the more traditional voluntary agencies and co-op programs.

But one thing I should point out that it has been traditional that anything that becomes a minimum ends up being a maximum, particularly in the eyes of OMB.

Senator MELCHER. Yes, that is right. They do not look at it as the minimum. That is the most. Now, we are not meeting the minimum tonnage in title II right now?

Ms. SHEEHAN. No, the latest information—I was trying to get some information today, but did not get my telephone call returned. As of last week it looked as if there was going to be a serious shortfall even under title II. The minimum tonnage went from 1.7 to 1.9. The actual purchases are only about 1 million tons, and on title II, you are already 8 months into the year.

Senator MELCHER. Yes.

Ms. SHEEHAN. Because there is a lead time of 4 months.

Senator MELCHER. That is right.

Ms. SHEEHAN. So you are 8 months into the fiscal year, and it is only about a million tons bought, and this is what a lot of the commodity groups have been literally complaining about and rightfully so. That the commodities are not moving. Now, a lot of the food aid has been reserved for emergency programs, and the emergency need in Africa was not as great this year as it was last year. I understand Mozambique just got approval so this may up the numbers somewhat. But still it is very important not to crunch all of the commitments or the purchases into the last 4 months of the year. It just turns the processors and everybody upside down in trying to ship it all out in such a short period of time.

Senator MELCHER. Peggy, I mentioned to Charles Sykes that CARE is 41 years old as of this year. How old is the National Cooperative Business Association?

Ms. SHEEHAN. Going on 71.

Senator MELCHER. Seventy-one. Formerly called?

Ms. SHEEHAN. CLUSA.

Senator MELCHER. CLUSA.

Ms. SHEEHAN. Co-op League of the United States, and we are proud to say also we were one of the founding cooperatives that founded CARE.

Senator MELCHER. Right. Senator Fowler.

Senator FOWLER. Ms. Sheehan, tell me as a new member of the committee, how does monetization work in most of these countries? How extensive is it, and describe a little bit its dimensions?

Ms. SHEEHAN. Again, as of now, it is only 5 percent of 1.9 million tons. So that is just still, well, slightly under 100,000 tons. I just came back from Kenya working with CARE and made a rec-

ommendation that 6,000 tons of wheat, which is very, very small, be brought into Kenya under CARE's auspices. The monetization procedure would be the government itself. We met with the grain boards, cereals board of Kenya, and said we are not—they, CARE—we are not going to stand out on the corner and try to sell it into the direct market or something. We need a buyer, and can the buyer be the standard commercial buyer. Will this upset commercial trade. And the answer is no. They needed much, much more wheat, and they wanted U.S. wheat. They wanted the Hard Red Winter Number Two as opposed to Australian wheat so they were delighted to hear that there could be a wheat program. You asked what the procedure was or will be if the program gets approved? I do not know whether it is going to get approved but if the program is approved USDA will buy the wheat, a cable will go to Kenya, to the AID mission, the cereals board will go out with a bid, with a floor price, to the local flour millers, and offer it to them for sale. And at that point in time, whoever wins the bid will put the local currency, the money, into a joint AID-CARE account, and then CARE will draw down the local currency to do what is amounting to a small rural development agriculture credit/farm storage and food for work type of program in two villages in Kenya.

Senator FOWLER. But not to dispense the wheat?

Ms. SHEEHAN. No. In this particular case, the objective was not to dispense the wheat.

Senator FOWLER. The money goes into the cooperative, and what specifically, what kind of things will they do through that in the rural area?

Ms. SHEEHAN. There has to be on these monetization a full-fledged budget drawn up, and this is what I did for them.

Senator FOWLER. What will it be in Kenya?

Ms. SHEEHAN. In Kenya it will be——

Senator FOWLER. What will the money be used for through the cooperative?

Ms. SHEEHAN. It will be buying, for example, the piping for an irrigation project. It will be doing credit training using a local credit union to teach the farmers how to literally save their money and invest their money. It will be used to buy some small farm implements since they do not even have any hoes. They need some seed and hoes and fertilizer, but all this will be done on credit. It will end up being a revolving fund which they will keep using this money over and over again. This is a 3-year project for which 6,000 tons of wheat will be sold to develop an ongoing farm credit, supply, and storage cooperative.

Senator FOWLER. What about in Guatemala? What are you proposing in Guatemala?

Ms. SHEEHAN. In Guatemala, we have been working on a dairy study to develop a dairy program. We have done a market analysis on the dairy sector. One private sector dairy and one co-op dairy needs to have management training. They need to improve their breeder stock. They need to do some market analysis. There is a market there for more dairy, but they are not getting it out. They need to improve their sanitation. The biggest use of dairy in Guatemala is just raw milk and some cheese. And about the same time I

was there, it hit the newspapers that the milk in Guatemala was unfit to drink.

Senator MELCHER. When you say sanitation, you mean pasteurization?

Ms. SHEEHAN. Pasteurization, yes. And the improvement of collection facilities. They have no refrigeration where they collect. The collection process is very, very poor. So we will be working with the two private companies, and with the Ministry of Agriculture, to just literally use these funds to improve the whole dairy industry in the country and also stabilize prices because the prices are very up and down.

Senator MELCHER. You would get a certain amount of product, and that would be sold in Guatemala?

Ms. SHEEHAN. Right.

Senator MELCHER. And then the local currency generated would be utilized for certain equipment?

Ms. SHEEHAN. Reinvest. For equipment, the technical expertise, or the staff to go down and work with the various dairies. Also a local dairy institute would be developed to work and monitor the imports, the prices, et cetera. Also the marketing of the cheese, the cooling equipment and things of that sort. But the point is that the quantity of food to be monetized has to match that budget.

Senator MELCHER. And in these two cases that you have just mentioned, one was the title II?

Ms. SHEEHAN. One was a title II, and the other one hopefully will be a title II. It has not been approved yet, and the other was section 416 under the sugar quota program. So technically the government of Guatemala owned those currencies under the sugar quota.

Senator MELCHER. And the one in Guatemala, since it is 416, would be off budget?

Ms. SHEEHAN. Right.

Senator MELCHER. We would not be purchasing something. We would just be donating right out of stocks already owned by the Federal Government.

Ms. SHEEHAN. Right. Yes. And also it is a combination of commodities. It is wheat. It is rice. It is vegetable oil and it is some of the dairy, and this would be sold through the normal government of Guatemala channels which is right to the private sector, the milling companies, et cetera.

Senator FOWLER. Did our Government, have we discontinued the counterpart funds program?

Ms. SHEEHAN. No. You are thinking of the counterparts under the title I which is a standard——

Senator FOWLER. I do not know what the title was, but it used to be—I do not know how to ask the question, but I know the answer—where currencies were used to purchase, where wheat was purchased, or there was some sort of a commodity transaction as well as any kind of transaction. I understood the currency to stay in a separate account, the local currencies in the country, and the only time we ever ran into them is when we were junketing. It is supposed to be used for more appropriate——

Ms. SHEEHAN. They are supposed to be used for more appropriate——

Senator FOWLER. We do not have that program anymore?

Ms. SHEEHAN. It still exists under the title I program which is your concessional sales program, but that is a loan as opposed to a grant. It is very similar. Utilization is what we are talking about.

Senator FOWLER. Right. I see.

Ms. SHEEHAN. For example sales of wheat to Bangladesh generate counterpart funds and are used for what they call self-help measures. They have to use it in certain ways. The government owns those funds, and the U.S. Government gets a small percentage, about 5 percent.

Senator FOWLER. Well, I guess my question is can you use counterpart funds in those countries where we have a surplus for this kind of mission?

Ms. SHEEHAN. Yes, you can use it. Yes, you could. The problem is usually those counterpart funds are all earmarked. In other words, there is a claim on them already. The Government owns them. Therefore, they have a claim on them.

Senator FOWLER. I am surprised to hear that. Most countries I thought—I am talking about a long time, 10 years ago now. There were great surpluses and nobody could figure out how to use them.

Ms. SHEEHAN. That was the case when there were large amounts of P.L. 480, title I local currency sales, which goes back to the early 1960's, and we actually owned those currencies in countries. The biggest example was India, and we really did not know what to do with all the currencies we had.

But for all practical purposes, those counterparts have disappeared. Funds in India have disappeared completely. There may be funds in Turkey and Poland. That is all that is left.

Senator FOWLER. My last question, Mr. Chairman, is the same question that you asked a moment ago. I listened very carefully to the answer. The chairman asked you in your opinion what these missions would do that is not already supposed to be done under law. And I heard your answer. But aside from poking a little bit and making them do, it sounded like you were saying that by sending a country team over there it would inspire or incite them to do what they already should be doing. Is there anything in this legislation that would require action that is not at least permitted under current law?

Ms. SHEEHAN. Well, one thing that this requires is that the report of this team has to be made and given back to the President and the Congress, and it has to be acted upon. And that is one initiative to get something done. But I guess you are right in saying there is a lot of poking and prodding that will go on to get things done. A lot of it is, too, that with all the new initiatives that came out of the 1985 farm bill, there is still a great communication gap when you go country by country by country.

Senator FOWLER. You mean as to what the law says in the 1985 act?

Ms. SHEEHAN. Because what the law says and how to interpret it and what is available and what commodities are available, and there are standard documents that go out to explain the law to the people in the field. But if you have a question and you have nobody to ask, then a lot of things just will fall through the cracks, and something will not happen. Sending teams is unusual. Commerce does this with the trade teams. Even AID does this to develop pro-

gram proposals. To expedite proposals and to provide the right expertise since the expertise is not always available in every country.

For example, there are not agriculture attachés in every country around the world, particularly if you get to your developing countries. There is one regional one in East Africa and another one in West Africa. So there is no one on the spot to interpret all these laws and tell people which program should be used, what commodities are available to you. In addition, host governments do not always know that all these programs exist.

Senator FOWLER. So you look at this legislation as primarily a sales tool to provide that information?

Ms. SHEEHAN. Sales, market development, as well as an education tool, as well as poking and getting things done much more expeditiously, as well as Orville Freeman said, to look at the total country picture, as opposed to a program.

Senator FOWLER. Thank you.

Senator MELCHER. Thank you very much, Peggy. I appreciate your expert advice on all these matters.

Our last witness is Carl Schwensen, National Association of Wheat Growers. Please proceed, Carl.

STATEMENT OF CARL SCHWENSEN, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. SCHWENSEN. Thank you, Senator. You have my testimony. I thought I might just take a few minutes to hit some of the high spots.[6] Initially, to indicate our strong support for S. 659, we feel like it is an initiative that is long overdue. It represents a strategy which heretofore has not been formulated to using our export assistance programs toward developing markets and moving commodities.

Certainly most of our major export assistance programs have strong market development designs within them, and we have not been taking advantage of this. In the case of wheat, developing nations, which would be impacted by this bill, represent about 70 percent of world trade. That is where the market is in our judgment, and that is where the potential for any market growth is as well.

It makes good sense. The logic is strong, as we see it, to tailor our programs to individual countries to provide a mix of assistance instead of expecting these countries on their own to fit themselves into the programs that we are offering, or that we have to be pushing at one point in time.

In doing so, we feel like we can not only generate intermediate and long-term development, but we can generate cost savings here at home. We participated in a study last year which I think is still relevant. The shelf life is still good on it. It indicated that after looking at 62 countries that through the strategy that we have talked about here this afternoon, we could find 17 million tons of additionally through various mixes of section 416, P.L. 480 titles, and the Export Enhancement Program.

Use of the commodities in that manner is going to reduce commodity credit storage costs which are very high under our estimate

[6] See p. 40 for the prepared statement of Mr. Schwensen.

for this study. We saw savings in the neighborhood of $400 million. As of the last day in 1986, I am guessing that the Commodity Credit Corporation had it in its inventories, something in the neighborhood of $14 billion worth of commodities.

This year that is——

Senator MELCHER. What date was that approximately?

Mr. SCHWENSEN. This is just kind of an educated guess. But they would have closed their books on December 31, 1986. Prior to that it was about 13, and I think that by the end of the calendar year it grew to about 14.

Senator MELCHER. Was this $400 million savings over 3 years or 1 year or 5 years?

Mr. SCHWENSEN. That was over 1 year.

Senator MELCHER. Over 1 year?

Mr. SCHWENSEN. Cost of storage of wheat and feed grains at 60 cents a bushel. That is where we see immediate savings, and we think that this use of programs can be more cost effective than efforts to cut prices generally below where they are today and that the cost to the Government through a selective, tailored strategy as we have under consideration could gain more than simply initiating further reductions in our price support structure.

Finally, I want to recognize that the measure that you have introduced also requires the Agriculture Department to provide a report by the end of this year on the use of the Intermediate Credit Program. This is a tool which has long been overlooked. It has been on the books for a number of years, but we have not been creative with it in any sense.

And we think that it is one of the mechanisms in conjunction with others that have been discussed that can help promote economic and market development.

Finally, three points from listening to other witnesses. I believe, Senator, you asked the question about the role of the private sector in these teams. As I look at it, they have not been overlooked. The private sector can participate in the teams through the market development cooperators. Typically, they have consultants, experts, people on their staff that are familiar with shipping, grain milling, and various infrastructure design work. If they do not have someone on their staff, they have proven that they are very capable of getting the expert people that they would need to work with a country with one of these missions to develop proposals.

The question was also asked about the specificity of countries that were identified in the legislation, 15 countries. I have no problem with that. I think that they represent a range of countries that we should be looking at in this initiative. Moreover, I can recall that the Special Assistant in the White House for Trade was given the mandate to develop a list of that many countries, and we have not seen it yet.

So I think to make any progress forward, we are going to have to be more specific and to try and compel performance to the greatest extent that we can.

Finally, with regard to the minimum tonnage, we do support the increase in minimum tonnage under section 416. If this strategy could operate as we hope it will, being run properly and maximizing use of commodities, I think that the minimum tonnage should

not be an issue at all. It should be eclipsed by the volume of commodities that we could move under that program.

That concludes my comments.

Senator MELCHER. I think that CBO in scoring the bill has come up with a figure of something like $75 million in costs, chiefly for shipping and any increase in P.L. 480 minimum tonnage.

But the figures that you mention, and actual reduction of storage costs, of course, are based on moving over 17 million tons of product that would not be moved otherwise. It seems to me that it would be very much penny-wise and pound foolish then to think that it would not be worthwhile to enact the bill.

Are your figures pretty firm on storage costs?

Mr. SCHWENSEN. Yes, Senator. I brought a copy of the study, and I will be happy to leave it with you.

Senator MELCHER. Thank you.

I should mention that CBO calculated the savings, based only on the increase in minimum tonnage, which really misses the whole picture. They figured the savings to be $5.2 million based only on that little bit of increase in the minimum tonnage, which is sort of like saying that that is all that could go.

Mr. SCHWENSEN. $5 million in savings for 300,000 tons.

Senator MELCHER. Right. Plus the dairy.

Mr. SCHWENSEN. Plus the dairy.

Senator MELCHER. So is this savings on storage costs principally for soybeans, feed grains, and wheat?

Mr. SCHWENSEN. Right.

Senator MELCHER. Have you left dairy out because you do not think there is dairy product available in storage?

Mr. SCHWENSEN. No. That is not the reason. We were looking for additionality globally around the world.

Senator MELCHER. Oh, additionality. Yes. For some strange reason, we have been learning during the last 2 or 3 weeks that the Department does not think there is much dairy product that is not committed. I suspect if we followed that line of thinking, we would be all right for about another 3 weeks. Then we would find out that, indeed, storage of dairy products is rising just as sure as spring is coming. The grass is going to be greener and come to life, and those dairy cows are going to produce a whole lot more milk as they do every spring.

We would be lulled into thinking, for a month or so, that the dairy surplus problem has been solved, and wake up next fall to find out that we have another billion dollars' worth of product in storage.

Is it your impression that additionality is a tough factor with dairy products?

Mr. SCHWENSEN. I am really not competent to answer that, Senator. I do not know enough about the market in the world.

Senator MELCHER. I am continually discouraged by how often that comes up, and I think it is a real tribute to the influence that New Zealand has been able to have on our thinking, particularly the Department of Agriculture's thinking, and perhaps the State Department, too. The idea is that anytime we put out a little milk somewhere in the world we have interfered with free trade and taken away part of their market.

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Mr. SCHWENSEN. We have that problem with Australia as well on the Export Enhancement Program.

Senator MELCHER. Maybe that line of thinking belongs in that part of the world when you find Australia and New Zealand so close together. I admire their public relations program, but I find it inconsistent. I think the point came up concerning the Philippines when we were talking to Charles Sykes, and a small project in a few villages out in the Philippines where you cannot find milk. If you can find it anywhere it is in dried powder form and prepared just for nursing infants.

Well, I did not miss your point about the cooperators being able to supply a broad range of expertise covering processing and transportation.

Mr. SCHWENSEN. Good.

Senator MELCHER. I just think perhaps I should ask you this question though. I have no real vision or strong viewpoint on how large these teams should be. I could think of anybody up to a dozen or 15 people. Orville Freeman made a very firm recommendation that it be limited to about five people. Do you share that viewpoint?

Mr. SCHWENSEN. That is the picture I have of it, Senator. I agree with Secretary Freeman. I think that a larger group is not going to be able to sit down and really develop the proposals effectively. I do not think that they are going to be able to focus this tightly on developing the plans that, at least, we have in mind.

Senator MELCHER. A small team, then?

Mr. SCHWENSEN. I think so.

Senator MELCHER. All right. We could have somebody representing AID and Agriculture. That is two. Somebody representing the private operators. That is three. Somebody representing the PVOs and cooperatives. That is four. We could still have one other to make five and it could come from the private sector. That would probably be best.

Mr. SCHWENSEN. I think as the missions earnestly sit down and try and design programs for the countries, they are going to see that they are deficient in one area or the other, and that they will need to bring in an expert to beef up their ability to work with the country.

Senator MELCHER. In other words, where soybeans is going to be the principal one, you better have somebody from soybeans?

Mr. SCHWENSEN. Right.

Senator MELCHER. All right. Thank you very much, Carl.

Mr. SCHWENSEN. Thank you.

Senator MELCHER. That concludes our testimony from witnesses on S. 659 for today. The prepared statement of Senator Wilson will be made a part of the record.[7]

I do not think we have anything else. The subcommittee is adjourned.

[Whereupon, at 3:55 p.m., the subcommittee adjourned, subject to call of the Chair.]

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[7] See p. 31 for the prepared statement of Senator Wilson.

APPENDIX

Statement of Hon. Pete Wilson, a U.S. Senator From California

Mr. Chairman and fellow members of this subcommittee, I am pleased to be able to participate in the consideration of your bill, S. 659, the "Agricultural Aid and Trade Missions Act." While I commend you, Mr. Chairman, on your efforts with this legislation to reduce Government surplus stocks being held by the Commodity Credit Corporation (CCC), I have some serious reservations about the method which you have chosen to achieve this goal. In my view, Government-held inventories of bulk commodities is the result of a much larger problem—namely, that our present agricultural policy encourages production, and in some instances, such as the Dairy Program, provides a disincentive to producers to be competitive in the market. Instead, many dairy producers find it more profitable to produce for Uncle Sam rather than Mr. Knudsen.

I, like the chairman, am also concerned about the future, competitive vitality of American agriculture. As we all know, for much of the past decade, our Nation's farmers have been plagued with a number of problems. We sought to improve this situation through the enactment of the 1985 farm bill. For many of the provisions of this law, which I have characterized as pluses in previous remarks before the full committee, there were unfortunately offsetting minuses of significant dimensions and serious consequences.

I am hopeful that members of this subcommittee will adopt a more market-oriented approach to our farm problems. The artificially high rates of recent years, which were set by statutory formulas instead of marketplace realities, have led to predictable price undercutting by our international competitors, resulting in the loss of foreign markets and the costly expansion of Government-held inventories.

With our accumulation of stored grain, foreign producers continue to expand their output in response to the price incentives provided by high U.S. loan rates and the strengthening of the dollar against other currencies. As a result, domestic farm income has fallen. Further, excessive farm stocks have been stored at the expense of the American taxpayer.

I would agree with the chairman that we must act to remedy this situation. However, no matter how well-intentioned the chairman's bill is, and I must say that I share his immediate goals in this instance, I believe that it fails short in dealing effectively with the underlying problem—that is, our multi-billion dollar farm policy.

Additionally, I have some serious reservations about the total cost of the legislation before us. From my understanding, the bill has been informally costed by the Congressional Budget Office at between $60 and $70 million. Any savings to be achieved through reduced storage costs would be more than wiped out, in that proceeds from foreign currencies generated from the sales or barter of commodities would not be returned to the U.S. treasury. Instead, the revenues would be used to implement community health, cooperative and agricultural/livestock development projects abroad. And, unless we alter the course of our present agricultural policy, it is likely that any stocks removed from the CCC would be replaced at the end of each crop year.

At a time when we are asking American citizens—the elderly, the disadvantaged, our veterans—to tighten their belts as we attempt to reduce the Federal budget deficit, I do not believe that we can, in good conscience, support the enactment of another Federal program designed to assist other nations, however, well-intentioned that it may be. Adequate assistance through our P.L. 480 efforts and other assistance programs, already exist to aid those in need around the globe. For this, and the many reasons that I have stated above, I cannot support S. 659, as currently drafted, especially absent a punctilious analysis by the affected agencies, including the Department of Agriculture, the Agency for International Development and the State Department.

Let me close by indicating that I stand ready to work with the chairman to find a more workable, cost-effective method to achieve the goals that we all share. Thank you.

[The following policy paper was inserted by Orville Freeman in support of his oral presentation:]

BUILDING COMMERCIAL MARKETS: THE KEY TO U.S. RURAL PROSPERITY

(By Orville L. Freeman, president and chief executive officer, Agriculture Council of America and chairman of the board, Agriculture Council of America Education Foundation)

American agriculture is a production miracle!

Less than 2 percent of our population feeds the American people better and at a lower cost, as a percentage of income, than the farmers and ranchers in any other country in the world. To do this requires only 60 percent of our production capacity, leaving 40 percent available for other uses.

Therein lies the challenge: how do we use this 40 percent humanely and constructively, so that our great agricultural industry, which accounts for 20 percent of our gross national product and employs up to 22 percent of our work force, can prosper?

The Agriculture Council of America export initiative, outlined herein, sets forth an action program designed to meet this challenge of abundance.

The ACA program, vigorously implemented by a working partnership between the private and public sectors, will, we believe, return American agriculture to the prosperity we enjoyed in the seventies, the best years for agriculture in our peacetime history.

The primary thrust of this program is building commercial export markets around the world, country by country. That was done in the late 1950s and throughout the 1960s. The result was strong worldwide demand, followed by good prices in the marketplace.

The American people seem to have forgotten that such systematic conversion of latent demand into commercial markets was what made the decade of the 1970s a golden period for American agriculture.

The farm program for today should once again focus on building demand and, with it, commercial markets. We must update the programs that built the exploding commercial markets that carried farm income to historic peacetime highs in the seventies to meet current conditions and challenges.

Sustained growth in U.S. agricultural exports is absolutely essential to revived prosperity on our farms and ranches and in the input-supply and transportation businesses that serve them.

Assuring that kind of growth is—or should be—the primary federal farm program for the balance of this decade.

Such a program is neither simple nor a refuge for the lazy or weak-spirited. It takes thought and planning and hard work. Every business in America knows that customer-building, concentrating on demand, is tough.

This approach is far less expensive than the traditional farm programs that concentrate almost exclusively on commodity prices, and its returns are far more solid and substantial. They range across the whole of agriculture, not just grains, feedstuffs and major fibers. Careful research continues to prove that, underneath the unusual global weather conditions and macroeconomic forces of the seventies and early eighties, creative, coordinated food-assistance, economic-development and market-building programs (an "action triangle")—carried forward by the federal government in the late fifties and throughout the sixties—laid the groundwork for the exploding markets of the 1970s and early 1980s.

Two major trends must be set in place to achieve sustained growth in U.S. agricultural exports again: total world trade in farm products must be stimulated to grow once again, and U.S. agriculture must be positioned to sell its fair share of the products needed by that growing market.

U.S. agriculture has been positioned to sell into the world market again by the commody-program provisions of the 1985 Food Security Act. Prices are being taken to competitive world levels, while our agricultural resource base—both producers and their assets—is being held ready by the income-support programs to meet new, and potentially explosive, demand.

But, that aspect is just another expensive federal program feeding on itself unless we act now to set in motion the first trend, which was also mandated by the 1985

act but which has been generally ignored in spirit, if not in terms of the letter of the law.

The drop in the value of U.S. agricultural exports from $43.8 billion in 1981 to $26.3 billion last fiscal year is estimated to have cost the economy of the United States $122 billion and tens of thousands of jobs. The lost sales of $49 billion worth of farm commodities, compared to the 1981 level, are just the tip of this iceberg. The larger part is the shortfall suffered by the rest of agriculture: input suppliers on one side and processors, transporters and marketers on the other.

The latest USDA forecasts project that the macroeconomic forces loose in the international market today will bring about increases in world farm-trade volume of some 3 to 4 percent a year. That's only the level of increase of the depressed fifties and sixties! We lost that much ground in one quarter during the last trading year. Such a rate of recovery is unnecessarily low. It can be accelerated if the federal government takes seriously and acts vigorously on the policy commitments it made when the President signed the Food Security Act of 1985.

The most sensible, cost-efficient course toward recovery of rural America is a broad, comprehensive, integrated program of economic developmental assistance and commercial-market building, country by country. Each potential country/customer is different. Each needs to be matched to the best combination from the wide range of public and private resources available in the United States. The product needs to conform to the customer's needs not vice versa. That's a basic tenet of good salesmanship. U.S. policymakers need to be pushed back to the basics of increasing export-market demand for the long term.

Let's apply a little history to this issue for a moment.

American agriculture has had three "booms" and not three "busts" in this century. World wars brought or sustained the first two periods of prosperity. Each was followed by two decades of bust.

The supply-oriented research work that coincided with the rapid industrialization of the late 19th century paid off during World War I—the need was there, U.S. agriculture could meet it and rural America prospered. Prices collapsed in 1920, two years after the war ended. "Surplus" became the major agricultural policy issue instead of scarcity.

We in agriculture were "bust" for two decades—until the Second World War demanded and got the largest agricultural output in world history. The Marshall Plan, redevelopment of the economies of those we had beaten, helped significantly in putting off another day of reckoning, but bust came again, in the late 1940s and the 1950s. "Surplus" was again the buzzword of American agriculture.

Once again, it was two decades before another boom. From the last half of the sixties to the first half of the seventies, the value of our exports tripled, volume went up by about half, farm income was at its highest levels ever and rural America was alive with growth and excitement.

But, this time there had been no world war. What, then, had been done right to bring about this continuing growth? A lot of macroeconomic factors outside of anyone's control were at play. But, something else was going on at a more fundamental level that was of more lasting importance then and still is. That third boom was triggered by bad weather and bad crops abroad for a year or two, but it was sustained by the well-planned, thorough and persistent U.S. program of food aid and economic development in the Third World that was underway in the preceding 15 years.

Drafts of a forthcoming study at USDA of national-development and trade patterns since 1960 show an amazingly stable long-term trend: food aid and development assistance turned poor countries into rapidly emerging nations with both strong agricultural production and an explosive demand for foodstuffs from abroad. The effect on U.S. exports was large and positive. Where there is growth at all in our export markets today, in the world market as a whole, it is in that set of Third World nations we concentrated on in the sixties—for example, South Korea, Taiwan and Mexico.

Such programs were allowed to drift during the prosperity of the seventies because many people believed we would never again have significant surpluses, there were too many hungry people in the world. That was a serious mistake. We still have hungry people, we again have surpluses and we have had five years of sharp declines in the export market. The United States clearly must return to demand- and customers-oriented policies or cut back our agricultural capacity by as much as 40 percent and write off a century of technological progress and superior productivity gains.

When John F. Kennedy took office in January 1961, agriculture's underlying problems were not unlike those of the 1980s: under-used capacity and domestic

prices that were above the levels of the world market. President Kennedy saw our number-one economic problem as farm income and rural decline. He saw, and was appalled by, the paradox of a world full of food and a world full of hungry people.

His answer, and my charge as secretary of agriculture, was to feed people and build commercial export markets. We refined the Food for Peace program and seriously began to work with it—country by country, matching the tools it gave us to the development needs of the potential buyer, using our surpluses both as food for the hungry and as capital to be turned into cash.

The latter device—monetization—is very important. The donated surpluses are sold inside the country. The local currency that is generated is used to carry forward an economic-development program to help to get a country out of a subsistence economy. There are many, many projects for which we can monetize these commodities—furthering both the process of development for long-term commercial-market gains and the goal of reducing our stockpiles in the short term.

Many provisions of the law call for monetizing commodities in that way, but they are not used aggressively today. The National Commission on Agricultural Trade and Export Policy recommended last year, "Congress should call upon the Administration to restore the proportion of food aid in its foreign economic-aid budget from the current level of 18 percent to one-third of the total of all such assistance, the same proportion of food-aid resources as provided in the period 1968 to 1972." Monetization is a tailor-made, budget-conscious way to help achieve that goal.

Using such devices, we became competitive in the world market in the sixties. We blocked dumping, although we were unable—then, as now—to do much about the Common Agricultural Policy of the European Community. We tailored our resources to the particular needs and capabilities of each country. We began sales to Iron Curtain countries. We launched the private-sector cooperators program of the Foreign Agricultural Service, to target specific commodities into specific markets. We created demand by helping clients become customers.

In the process, we sold American farm commodities. We took South Korea, Taiwan, Spain, Mexico and others from bare-subsistence economies and minimum food imports to status as billion-dollar markets for U.S. agriculture. Brazil and more than a dozen others are on the same track now.

Korea, an economic basket-case in 1961 with per-capita income of $83, now boasts per-capita income above $2,200 a year. Our 25 years of food aid to Korea cost less than we now get back in a single year of sales to Koreans.

There are many more Korea-type areas out there for American agriculture today.

By 1970, developing and centrally planned countries were taking 34 percent of our exports. By 1980, at the end of the boom, they were taking 49 percent—almost half. Today, despite the downturn and loss of other markets, developing countries alone are taking 42 percent of U.S. agricultural exports. Between 1974 and 1984, food imports by developing countries rose 3½ times faster than agricultural-production increases in those countries and at five times the rate of population growth. (The centrally planned nations come in and out of our markets, and the industrialized world is taking less while becoming both more self-sufficient and more competitive with us.)

When economic development occurs, growing nations import more food. With 75 percent of the world's population, and exploding population growth, those developing countries were the target markets in the 1960s and 1970s. They should once again become our target markets.

Last October, market-development experts for seven organizations representing the major export commodities evaluated 62 countries' needs and matched them up against the tools available through the 1985 farm bill. In 1985, we sold 26.6 million metric tons of grains, soybeans and products to those 62 nations. The study found that full and innovative use of the available programs could have meant an additional 17.4 million tons—65 percent more—shipped out of U.S. storage and into the market, without displacing either the local producers or our competitors.

Such action would have saved the government hundreds of millions and brought 10 million acres back into production—the key to revitalizing our input-supply industries in the Midwest. And, we would be talking about 16 percent increases in over-all feedgrain-export projections instead of the 8 percent declines forecast for our No. 1 export commodity.

Our current situation can be turned around. We have in the law and in our economic structure the following tools, some with mandatory instructions and some with discretionary authority:

Foreign economic assistance.

Agricultural commodity assistance:

P.L. 480 (Food for Peace) & Section 416—Food and development aid for the low-income countries;
Intermediate-term Credit—For the newer "A.I.D. graduates";
Short-term Credit—For newly indstrialized countries;
Export Enhancement & Targeted Export Assistance Programs—To meet unfair competition;
Surplus commodities—To be used as capital (monetization) as well as humanitarian relief.

Private-sector Expertise:
Market-development Groups—Partially funded by USDA's Foreign Agricultural Service;
Private voluntary organizations—The vanguard of humanitarian and developmental-assistance efforts worldwide, partially funded through A.I.D.;
Export Industries and Investors.

Governmental Expertise Abroad:
Agricultural Attachés (USDA);
Commercial Counselors (Commerce);
A.I.D. Missions.

Financial Institutions:
World Bank;
International Monetary Fund;
Export-Import Bank;
Regional banks, *et alia*.

To use those tools effectively, we need plans: comprehensive studies of a particular country's needs and capabilities to match against the available tools. It is extremely important to remember that we cannot come up with just a generic, one-size-fits-all approach to the whole world. To be effective, we must reach out to each country and integrate its situation with our programs and resources.

The Food Security Act enacted in December 1985 mandated a special assistant to the President to identify 15 or more target countries and coordinate the development of such plans, with annual reports to the President and Congress on their progress. The special assistant was not appointed until October 1986, and, so far, movement in this direction has been slight, at best.

Planning is nothing more than an idle tool without a very strong commitment at the highest levels of the government and private industry to true foreign-market development as the chief farm program of the United States. Only with such commitment will we have uniform, coherent objectives and coordinated operations in the pursuit of maximum agricultural export expansion.

The Agriculture Council of America is a national umbrella organization encompassing all of American agriculture, with individual and business members from all sectors of the U.S. food and fiber system. It is leading the way toward securing a major commitment in the private sector to build once again an effective partnership with the government in this vital work.

We hope the leadership of both political parties now will bring to life a matching commitment within the government.

STATEMENT OF DR. LAVERN A. FREEH, VICE PRESIDENT, LAND O'LAKES, INC.

My name is Vern Freeh, and I'm the Vice President of Public and International Affairs at Land O'Lakes, Inc. Land O'Lakes is a food and agricultural cooperative system owned by 325,000 farmers in the Upper Midwest. I appreciate this opportunity to offer my comments and observations on behalf of Land O'Lakes and its farmer-owners.

About seven years ago, Land O'Lakes made a major, organizational commitment to becoming much more involved internationally. This decision was motivated by the recognition that we could not afford to ignore the world scene. We live in a world economy. The economic conditions that determine the financial stability of farmers and the success of our cooperative's business are driven largely by international issues and policies.

We felt that the best way to learn about working in the international arena was to jump in and learn by doing. We decided on a two-pronged approach. 1) We built a traditional, sales-oriented marketing group. These individuals aggressively pursue opportunities to sell food products, commodities, animal feed, seeds, technology, and livestock to foreign customers. 2) We also organized a team of specialists and technical experts to provide technical assistance and special services for international economic development projects.

The developing nations of our world have a desperate need to stimulate their economies. They need healthy internal systems that provide incentives for their citizens to use resources wisely and efficientiy. They also need to generate foreign currency so that they can play an active role in international trade.

Agriculture is always a key ingredient in local development. Developing nations need strong agricultural systems to provide a stable base for economic growth and increased per capita income. American farmers possess a treasure of knowledge on how to improve food production, and farmer cooperatives offer a universally accepted model for farmers to exercise some control over their own destinies and to prosper as agricultural productivity improves.

Let me cite a few examples of how Land O'Lakes has participated as a partner with the U.S. government in stimulating development:

"*In Jamaica* we helped devise a way to use surplus U.S. butter and cheese to finance food and agricultural development. We helped organize the Jamaican Agricultural Development Foundation, and continue to serve on the foundation's board. The foundation receives grants of cheese and butter from the United States under the PL480 Food for Peace proram. A Jamaican firm processes the donated commodities into value-added products that are sold commercially within the nation.

"Profits generated by the sale of these products provide a pool of capital for the foundation (estimated at $35–50 million over 10 years). The foundation then makes loans, loan guarantees, investments, and grants to various projects designed to increase Jamaican food production, improve processing and marketing capabilities, and promote the growth of the Jamaican economy.

"*In Ecuador* we're helping to stimulate livestock production and to increase the supply of fluid milk available for human consumption. Land O'Lakes is helping a cooperative organization in Ecuador to convert U.S. donated nonfat dry milk (another PL480 grant) into calf milk replacer. As Ecuadorian farmers switch their calves to milk replacer, greater quantities of fluid milk become available for humans. Furthermore, they will realize increased productivity in their dairy and beef production. Long term, we expect this project to result in an expanded market for U.S. sales of livestock, feed grains, animal feeds and ingredients, and other agricultural products.

"*The Foreign Assistance Act* in 1985 and '86 required that $5 million be committed annually to projects that use surplus U.S. dairy commodities to stimulate international agricultural and dairy development. Land O'Lakes will administer more than $2 million of the grant funds provided by the '85 act."

Our experience has been rewarding on the whole, and we have received some distinguished recognition for our efforts:

* 1984 Fowler-McCracken Commission Corporate Award for outstanding leadership in alleviating world hunger.

* 1985 President Reagan's World Without Hunger Award for the corporation that has done the most to alleviate world hunger.

Unfortunately, we have encountered our share of what we feel are unnecessary frustrations in achieving these successes. For example, PL480 Title II commodities for the Jamaica and Ecuador projects must be approved by a Departmental Coordinating Committee. The goal of the committee is to assure that projects conducted by one department of the administration don't work at cross purposes to policy initiatives of another department. Unfortunately, our experience has been that this committee often takes an inordinate amount of time to approve projects and then gets unnecessarily and inappropriately involved with such things as the "call forward" of products once the project has been approved. If decisions are left pending, commodity deliveries are delayed; opportunities are lost; customers buy elsewhere and hungry people go unfed.

Likewise, in our efforts to replicate successful programs, we feel that current PL480 "Food for Peace" and Section 416 guidelines excessively restrict the use of commodities in sales and barter projects of the type we've used in Jamaica and Ecuador—and will need to use under the International Dairy Development Grant. In fact U.S. cooperatives aren't even mentioned in the current guidelines, and the types of programs we've conducted are no longer encouraged.

Thankfully the bill you are introducing Senator Melcher with the support of Senator Leahy and others—the Agricultural Aid and Trade Missions Act—addresses many of the frustrations we and U.S. private voluntary organizations have encountered in using PL480 Title II or Section 416 products in our international economic development efforts.

We are particularly pleased that your bill calls for the establishment of agricultural aid and trade missions to eligible countries to encourage their participation in agricultural aid and trade programs. What we like particularly about this provision

is the greater coordination between our countries aid and trade efforts that is called for.

We applaud the bill's focus on amending current PL480 and Section 416 legislation to make them stronger market development tools.

We are most pleased by the bill's intent to amend Section 206 of the Agricultural Trade Development and Assistance Act of 1954 and Section 416 of the Agricultural Act of 1949 so that they clearly provide for U.S. cooperatives and private voluntary organizations to conduct non-emergency economic development projects such as those we are conducting in Jamaica, Ecuador and under the International Dairy Development Grant it also clearly allows U.S. cooperatives and non-profit voluntary agencies to use foreign currencies generated from the sales or bartering of commodities in conducting community, health, cooperative and agricultural projects (including livestock projects).

Finally, we are most pleased by the provisions in your bill which would require a 45 day turn around on project proposals submitted by cooperatives or non-profit voluntary agencies.

At a time of abundant U.S. commodities and severe budget restraints, any administrative limitations to cooperatives and PVOs that wish to become involved in international development projects are an impediment to economic, private sector and market development overseas. The guidelines governing sales and barter need to be made more flexible in order to encourage international economic development projects using local currencies. PVOs and cooperatives are important partners with our government on these development efforts—because they work directly with individuals and strengthen communities and the private sector. These efforts should be strongly encouraged, not discouraged as is currently the case.

Like the Coalition for Food Aid Policy and Programs of which we are a member, Land O'Lakes believes that our nation should do everything possible to:

(1) Develop coordinated country strategies utilizing a variety of food aid programs—leading to trade opportunities;

(2) Increase the volume of food aid under Section 416 including processed and value added commodities;

(3) Expand the use of local currencies generated from Title II and local currency sales;

(4) Encourage, as strongly as possible, new program proposals from private and public sectors;

(5) Expedite the program approval process for these types of programs.

(6) Expand use of intermediate term credit to build infrastructure and develop livestock industry.

Mr. Chairman, thank you for the opportunity to testify before your committee and I want you to know that we strongly support your bill and hope that it will be enacted into law within the very near future.

STATEMENT OF CHARLES SYKES, ASSISTANT EXECUTIVE DIRECTOR OF CARE AND CO-DIRECTOR OF THE COALITION ON FOOD AID POLICY AND PROGRAMS

Mr. Chairman, it is a pleasure to be here today to present our views on S. 659, "The Agricultural Aid and Trade Missions Act" and other food aid issues before this Committee.

As you know, there is great need for additional well targeted food assistance. Today there are more hungry people in the world than there were 20 years ago and yet our food aid levels today are down to half of what they were in the late 1960s. The traditional food aid programs of CARE and other voluntary organizations which target special needs groups by age, gender, economic deprivation, and geography remain the most effective modalities for reaching the poorest and giving them some opportunity to improve their lives and participate in the development process.

Food aid programs can serve to stimulate economic activity in developing countries resulting in higher incomes and effective demand for improving diets. With U.S. agricultural exports down 37 percent since 1981 and world cereal trade down an estimated 35 million tons from previous highs there is a growing nutritional gap particularly in those nations where domestic production has not kept pace with population growth, and debt problems do not permit commercial purchases of food.

There are several provisions of particular importance in the Agricultural Aid and Trade Missions Act which we believe can be particularly helpful if the Administration were to seize the new authority as an opportunity to address these concerns outlined above.

Information and encouragement.—We believe it would be useful to send agricultural aid and trade missions to counsel and encourage food deficit countries' AID missions and PVOs to explore new programming possibilities authorized under the Food Security Act of 1985. There should also be an effort to schedule and coordinate these missions with World Bank negotiations on structural adjustment loans, since World Bank negotiations may result in policies that increase the price the poor will have to pay for food staples.

Flexibility in use.—We believe that in addition to meeting humanitarian needs, food aid through PVO sales and barter programs can also finance economic development projects and income generating activities targeted at low income groups which spend most of their existing income (and most additional income) on food. At a time of shrinking foreign aid resources this offers a unique opportunity.

Simplified procedures.—We strongly support the provisions in S. 659 which set a reasonable time period for the review and action on proposals and establish authority for multiyear agreements under Section 416.

As this Committee knows, these concerns are not new. Legislation introduced by the Chairman in the Food Security Act of 1985 was entirely consonant with these purposes, and has been very valuable.

Particularly important was the 1985 amendment that earmarked 5% of the value of non-emergency food distributed under Title II for PVO monetization. As cooperative sales programs were not counted in determining this "minimum" the result was constructive encouragement and support for those advocates within AID seeking to develop guidelines and approve PVO project submissions.

As a consequence, AID has approved PVO monetization proposals for financing internal transport in Tanzania, Togo, Benin, Sierra Leone and Ghana. These sales transactions have been effectively managed by the PVOs in consultation with the host government and AID mission.

Mr. Chairman, I recall two years ago that we had difficulty getting the Administration to approve commodity sales by PVOs to move food even during emergencies, so clearly we have come a long way in recognizing the importance of meeting the internal transport costs in providing food aid.

Somewhat less progress, however, has been made with respect to issuance of guidelines and approval of PVO partial monetization requests for meeting ancillary costs that are not transport related. However, a CARE Title II monetization request was recently approved to support India's "Integrated Child Development Scheme" which we hope will point the way for using Title II sales in other food related development projects.

There are very important factors related to effective food aid programming in addition to commodity management. Indeed the emphasis on accountability and logistics instead of using food as part of an integrated development strategy tends to lessen the impact of food aid and has discouraged PVOs from taking interest in Title II and 416 programs.

Technical assistance, training field staff, evaluation, nutritional surveys, and some experimentation with adding new components to feeding programs like oral rehydration therapy, vaccines for children, or a nutritional education program for mothers exemplify the types of activities that should routinely be part of any maternal-child health food aid project. To the extent that these activities represent additional project needs that can be locally financed by monetization, they certainly should.

Finally, Mr. Chairman, as you well know, least progress has been made in establishing guidelines or approving proposals which entirely de-link monetization from feeding programs. CARE, for example, has never had a proposal approved to monetize food in the Philippines in order to establish a small loan facility for poor farmers. I believe that the clear authority in your bill to permit such food use proposals is of paramount importance to PVOs in our coalition who would like to go beyond the traditional school feeding, maternal child health, and food for work projects and expand successful income generating and agricultural production programs.

I believe that de-linking food for development project support would, once in place, quickly enable the PVOs to exceed the present statutory 5 percent monetization floor. This PVO floor (which does not even count the full monetization projects of the cooperatives) is equivalent to approximately $14 million under the Title II program, and PVO monetization just for inland transportation now totals nearly $7 million.

Let me thank you again, Mr. Chairman, for your tireless support in seeking to further improve our overseas food aid programs.

STATEMENT OF PEGGY A. SHEEHAN, CO-CHAIRMAN, COALITION FOR FOOD AID POLICY AND PROGRAMS AND VICE PRESIDENT, NATIONAL COOPERATIVE BUSINESS ASSOCIATION

Mr. Chairman, Members of the Committee, I am pleased to be here today, representing the National Cooperative Business Association and the Coalition for Food Aid Policy and Programs to explore ways to fully utilize food aid to expand U.S. agriculture exports to the developing world.

The National Cooperative Business Association (CLUSA) was founded in 1916 and is a national membership and trade association representing America's cooperative business community. Membership includes farm supply, agricultural marketing, insurance, banking, housing, health care, consumer goods and services, student, credit union, worker, fishery, rural electric, telephone, state associations and other types of cooperatives.

The Coalition for Food Aid was formed in 1985 to expand the use of food aid as a development resource. The Coalition consists of cooperative organizations such as the National Cooperative Business Association, cooperatives such as Land O'Lakes, and private voluntary organizations (PVO's) such as CARE, World Vision and the Adventist Development and Relief Agency. Coalition members operate food aid programs in over 40 countries in the developing world.

We have worked very closely with our own members as well as the agribusiness and transport industry to expand both the volume and uses of food aid in the developing world. Food aid programs benefit both the recipients in the developing world and the U.S. economy. Food aid programs benefits farmers, processors, warehousers, retailers, railroads, port authorities and the U.S. shipping industry.

Developing countries have replaced industrialized nations as our fastest growing markets. The population of less developed countries is expected to increase by 1.2 billion over the next 15 years. The demand for U.S. exports is in the developing world. The key to fulfilling the unmet demands in the developing world is to stimulate economic growth. Food aid and export assistance programs can and should be used to stimulate growth and expand markets—as incomes improve, diets improve and the demand for and the ability to purchase food increases. Let's make A.I.D. lead to trade.

Food aid and exports programs are not being used to their fullest potential. The Farm Bill of 1985 provided both additional quantities of food aid as well as the authority to use food aid more effectively. The authority is there; how do we use it more effectively?

We believe that the Agricultural Aid and Trade Missions Act will increase exports and long term market potential in the developing world.

1. AGRICULTURAL AID AND TRADE MISSIONS

While the Coalition has focused on PL 480 and the Section 416 programs, intermediate credit, the Export Enhancement Program and the Targeted Export Assistance programs are all vital tools toward expanding U.S. markets and assisting developing nations to help themselves. All of these programs should be used to develop country by country strategies for economic and market development. Unfortunately in the past, these programs have been compartmentalized and have not been used as mutually re-enforcing tools. We concur with the selection of countries targeted in the bill. In each country a total food aid package should be developed to address the humanitarian, developmental and marketing needs of that country. Private and public sector teams should be formed to visit these countries to design, develop and implement new programs. The cornerstone of this approach is that all of these programs become part of a continuum of food aid and export enhancement tools which permit the U.S. government to meet the needs of countries at varying stages of their development.

2. EXPANDED USE OF LOCAL CURRENCY GENERATED FROM PL 480, TITLE II AND SECTION 416

Local currency proceeds from the partial or full sales of donated Section 416 or PL 480, Title II commodities can be used by private voluntary organizations and cooperatives to finance agriculture, community, health, credit, and cooperative development projects. These activities help individuals in developing countries provide for themselves, strengthen the private sector, and ultimately help countries to progress from low to middle income status which will result in higher levels of imports. Examples of projects include an oilseed cooperative system in India, the establishment of a financial institution in Jamaica, and food-for-work projects with landless poor women in Bangladesh.

Even though the law permits partial and full sales of Section 416 and Title II commodities for development projects by PVO's and cooperatives, and such projects have been successful in the past, current administrative guidelines have severely limited the types of programs they can initiate. The Administration will only allow PVO's and cooperatives to sell a small portion of the donated commodities to help pay for transportation, distribution, or ancillary costs of direct feeding programs. Cooperative, agriculture, credit, and other development projects by PVO's and cooperatives are discouraged, even though they can build the bridge from relief to recovery, from dependence to self-sufficiency.

Such restrictions do not apply when food is donated to a foreign government. In fact, $189 million in Section 416 commodities has been made available as compensation to countries that have reduced the sugar quotas for the U.S. in 1987. The recipient governments may sell the food in-country and use the proceeds as they wish.

At a time of abundant U.S. commodities and severe budget restraints, administrative limitations for cooperatives and PVO's are an impediment to economic, private sector and market development overseas. The guidelines governing sales and barter should be more flexible and encourage development-oriented projects using local currencies. PVO's and cooperatives are important partners in development—they can work directly with individuals and strengthen communities and the private sector. The amendments contained in this bill clearly specify the uses of local currencies under both Title II and Section 416.

Mr. Chairman, we appreciate your interest and that of this Committee in expanding the use of food aid in the Third World as both a tool for development as well as a vehicle to create new U.S. markets.

STATEMENT OF CARL SCHWENSEN, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Chairman and Members of the Subcommittee: The National Association of Wheat Growers is pleased to have this opportunity to present its views on legislation to establish agricultural aid and trade missions to assist foreign countries in participating in U.S. trade and assistance programs.

I am Carl Schwensen, executive vice president of the National Association of Wheat Growers which is headquartered in Washington, D.C.

Mr. Chairman, the NAWG strongly supports S. 659, and we view it as an important initiative towards rebuilding markets for U.S. farm commodities and utilizing our excess commodity inventories as capital in developing overseas markets and stimulating economic growth.

Developing nations comprise more than 70 percent of world wheat trade, and they are the only major source for potential new markets. Prior to 1981, these countries were an excellent export market which showed an increase in imported grains from 1972–1983 of 107 percent, versus an increase in total world grain trade of 46 percent for the same period. The dramatic down-turn in the global economy, however, has retarded economic growth and forced many developing nations to cutback food imports while also failing to meet the consumption and nutritional requirements of their population.

The NAWG is convinced that export assistance to developing countries can be tailored to meet individual country requirements. U.S. agricultural assistance programs were designed to have market development benefits, but too little attention has been given to this goal. A strong initiative is needed to utilize the programs and authorities that are available, and to create a "mix" of assistance under our export credit, food aid and and export enhancement programs. Stated differently, food aid and export assistance, properly used, can lead to future market expansion which will benefit U.S. agriculture in the near and long term.

The U.S. would benefit in several ways from this approach. Economic activity and employment would increase; the Agriculture Department's Commodity Credit Corporation would realize savings from lower storage and handling costs; and the large amount of commodity inventories that burden U.S. markets would be diminished.

Instead of expecting importing nations to shape their needs to assistance programs operated by the U.S. government, S. 659, would establish agricultural trade and aid missions which would contact selected countries and develop proposals for assistance. These packages of assistance could be tailored to deal with economic difficulties, poor or malnourished populations and the need to stimulate growth in recipient countries.

We are fully aware that the results from foreign market development are long-term, but we are likewise cognizant of the fact no gains will be made unless a new

initiative is undertaken. The world wheat market has declined by 20 percent since 1984–85, while world wheat stocks have grown by nearly the same percentage. The serious global overcapacity in grain production is beginning to receive attention, but virtually nothing is being done to boost consumption and world trade. We feel that S. 659, can make an important contributions towards rebuilding demand by establishing new export channels and promoting economic development.

S. 659, in addition to making several changes in current law to assist private voluntary organizations in carrying-out their overseas projects and increasing the amount of minimum tonnage under Section 416, also addresses the serious personnel needs of USDA's Foreign Agricultural Service and places much needed emphasis on the use of the intermediate credit program in financing infrastructure development in importing countries. These provisions make constructive modifications in existing programs, and they are likewise supported by the NAWG.

Thank you Mr. Chairman, for this opportunity to appear before the Subcommittee. I will be pleased to respond to questions at the appropriate time.

Calendar No. 77

100TH CONGRESS
1ST SESSION

S. 659

[Report No. 100–33]

To establish agricultural aid and trade missions to assist foreign countries to participate in United States agricultural aid and trade programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 6, 1987

Mr. MELCHER (for himself, Mr. LEAHY, Mr. PRYOR, and Mr. DASCHLE) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

APRIL 3 (legislative day, MARCH 30), 1987

Reported by Mr. LEAHY, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To establish agricultural aid and trade missions to assist foreign countries to participate in United States agricultural aid and trade programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Agricultural Aid and Trade Missions Act".

SEC. 2. FINDINGS.

Congress finds that--

(1) United States agricultural exports declined by more than 37 percent since 1981, from $43.8 billion per year to $27.5 billion per year;

(2) the United States' market share of agricultural commodities and products has dropped worldwide by 28 percent during the last 5 years;

(3) for the first time in 15 years, the United States incurred monthly agricultural trade deficits in 1986;

(4) the loss of $1 billion in United States agricultural exports causes the loss of 35,000 agricultural jobs and the loss of 60,000 nonagricultural jobs;

(5) the loss of agricultural exports threatens family farms, and the economic well-being of rural America;

(6) in order to reverse the decline of agricultural exports and improve prices for the farmers and ranchers of the United States, it is necessary that all agricultural export programs of the United States be used in an expeditious manner, including such programs established under the Agricultural Trade Development

and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), and section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(7) greater use should be made by the Secretary of Agriculture of the authority established under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a et seq.) to provide intermediate credit financing for the establishment of facilities in importing countries—

(A) to improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities and products; and

(B) to increase livestock production in order to enhance the demand for United States feed grains;

(8) food aid and export assistance programs stimulate economic activity in developing countries and, as incomes improve, diets improve and the demand for and ability to purchase food increases;

(9) private voluntary organizations and cooperatives are important and successful partners in our food aid and development programs;

(10) in addition to meeting humanitarian needs, food aid used in sales and barter programs by private voluntary organizations and cooperatives—

(A) provide communities with health care, credit systems, and tools for development; and

(B) establish the infrastructure that is essential to the expansion of markets for United States agricultural commodities and products; and

(11) greater support by the United States government for the development activities of private voluntary organizations and cooperatives is in the interest of the United States and our farmers and ranchers.

TITLE I—AGRICULTURAL AID AND TRADE MISSIONS

SEC. 101. DEFINITIONS.

As used in this title:

(1) ADMINISTRATOR.—The term "Administrator" means the Administrator of the Agency for International Development.

(2) ELIGIBLE COUNTRY.—The term "eligible country" means a country that is eligible under section 103.

(3) MISSION.—The term "mission" means an agricultural aid and trade mission established under section 102.

(4) UNITED STATES AGRICULTURAL AID AND TRADE PROGRAMS.—The term "United States agricultural aid and trade programs" includes—

(A) programs established under titles I and II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.);

(B) the program established under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(C) the agricultural export enhancement program established under section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v);

(D) the dairy export incentive program established under section 153 of the Food Security Act of 1985 (15 U.S.C. 713a–14);

(E) the export credit guarantee program (GSM–102) established under section 5(f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(f));

(F) the intermediate export credit guarantee program (GSM–103) established under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b)); and

(G) other agricultural aid and trade programs authorized by the Food Security Act of 1985

~~(Public Law 99–198), by the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or by other applicable authorities.~~

~~SEC. 102. AGRICULTURAL AID AND TRADE MISSIONS.~~

~~(a) ESTABLISHMENT.—Not later than 60 days after the date of enactment of this Act, the Secretary of Agriculture, the Secretary of State, and the Administrator shall jointly establish agricultural aid and trade missions to eligible countries to encourage the countries to participate in United States agricultural aid and trade programs in accordance with section 104.~~

~~(b) COMPOSITION.—A mission established in an eligible country shall be composed of—~~

~~(1) representatives of the Department of Agriculture, the Department of State, and the Agency for International Development, appointed by the Secretary of Agriculture, Secretary of State, and Administrator, respectively; and~~

~~(2) not less than 3, nor more than 6, representatives of market development cooperators, private voluntary organizations, and cooperatives, appointed jointly by the Secretary of Agriculture, Secretary of State, and Administrator,~~

who are knowledgeable about food aid and agriculture export programs, as well as the food needs, trade potential, and economy of the eligible country.

(c) TERMS.—The term of a member of a mission shall terminate on submission of the report of the mission required under section 105.

(d) COMPENSATION AND TRAVEL EXPENSES.—A member of a mission shall serve without compensation, if not otherwise an officer or employee of the United States, except that a member shall, while away from the home or regular place of business of the member in the performance of service under this title, be allowed travel expenses, including per diem in lieu of subsistence, as authorized under section 5703 of title 5, United States Code.

SEC. 103. ELIGIBLE COUNTRIES.

(a) IN GENERAL.—A mission shall be established and completed—

(1) not later than 6 months after the date of enactment of this Act, in Mexico, the Philippines, Indonesia, India, Bangladesh, Senegal, and Nigeria; and

(2) not later than 1 year after the date of enactment of this Act, in Peru, Kenya, the Dominican Republic, Costa Rica, Malaysia, Venezula, Tunisia, and Morocco.

~~(b) ADDITIONAL COUNTRIES.—After the completion of a mission in each of the countries referred to in subsection (a), a mission may be established to a foreign country if—~~

~~(1) the participation of the country in United States agricultural aid and trade programs would be mutually advantageous to the country and the United States; and~~

~~(2) the country is friendly to the United States.~~

~~SEC. 104. FUNCTIONS.~~

~~The members of a mission to an eligible country shall—~~

~~(1) meet with representatives of government agencies of the United States and the eligible country, as well as commodity boards, private enterprises, private voluntary organizations, and cooperatives that operate in the eligible country, to assist in planning the extent to which United States agricultural aid and trade programs could be used in a mutually beneficial manner to meet the food and economic needs of the country;~~

~~(2) provide technical expertise and information to representatives of government agencies of the United States and the eligible country and private organizations with respect to United States agricultural aid and trade programs and agricultural commodities and other assistance available to the eligible country under the programs; and~~

(2) assist in obtaining firm commitments for—

(A) proposals for food aid programs; and

(B) agreements for commodity sales under agriculture export programs.

SEC. 105. MISSION REPORTS.

Not later than 60 days after the completion of a mission under section 103, the mission shall submit to the President, the Committee on Agriculture of the House of Representatives, the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Secretary of Agriculture, the Secretary of State, and the Administrator a report that contains the findings and recommendations of the mission in carrying out this title.

SEC. 106. PROGRESS REPORTS.

During the 2-year period beginning 1 year after the date of enactment of this Act, the Secretary of Agriculture and the Administrator shall jointly submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a quarterly report on progress made in implementing the recommendations of the missions reported under section 105, including the quantity and dollar value of commodities shipped to eligible countries and the specific development programs undertaken in accordance with this title.

SEC. 107. USE OF COMMODITY CREDIT CORPORATION.

With the use of funds made available to the Commodity Credit Corporation, the Secretary of Agriculture shall use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out this title during a fiscal year.

TITLE II—EXPANSION OF AGRICULTURAL EXPORTS AND MARKETS

Subtitle A—Amendments to Title II of the Agricultural Trade Development and Assistance Act of 1954

SEC. 201. LIMITATION ON USE OF FOREIGN CURRENCIES.

Section 206 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726) is amended by inserting after "extraordinary relief requirements," the following: "or for nonemergency programs conducted by nonprofit voluntary agencies or cooperatives,".

SEC. 202. USE OF FOREIGN CURRENCY PROCEEDS.

Section 207 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726a) is amended—

(1) in subsection (a), by inserting "or cooperative" after "agency";

(2) in subsection (b), by striking out "5 percent" and inserting in lieu thereof "10 percent"; and

(3) by adding at the end thereof the following new subsection:

"(e) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative shall be used to carry out—

"(1) activities by the agency or cooperative that will enhance the effectiveness of transportation, distribution, or use of commodities and products donated under this title; or

"(2) food for work, income generation, community development, health, nutrition, cooperative development, or agricultural programs.".

SEC. 303. PERIODS FOR REVIEW AND COMMENT.

Title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.) is amended by adding at the end thereof the following new section:

"Sec. 208. (a) Not later than 45 days after submission, the President shall take final action on a proposal submitted by a nonprofit voluntary agency or cooperative, with the concurrence of the field mission, for the delivery of commodities requested.

"(b) Not later than 30 days prior to the issuance of a final guideline issued to carry out this title, the President shall—

"(1) provide notice of the proposed guideline to nonprofit voluntary agencies and cooperatives that participate in programs under this title, and other interested persons, that the proposed guideline is available for review and comment;

"(2) make the proposed guideline available, on request, to the agencies, cooperatives, and persons; and

"(3) take any comments received into consideration before the issuance of the final guideline."

Subtitle B—Amendments to Section 416 of the Agricultural Act of 1949

SEC. 211. ELIGIBLE COMMODITIES.

Section 416(b)(2)(A) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(2)(A)) is amended—

(1) by striking out "grains," and inserting in lieu thereof "wheat, rice, feed grains,"; and

(2) by inserting ", and the products thereof," after "price support operations".

SEC. 212. AVAILABILITY OF COMMODITIES.

Section 416(b)(3) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(3)) is amended by adding at the end thereof the following new subparagraph:

"(D) If eligible commodities are made available under this section to a friendly country, the Secretary shall also make such commodities available to nonprofit and voluntary

agencies and cooperatives for food aid programs in the country.''.

SEC. 213. MULTIYEAR AGREEMENTS.

Section 416(b)(4) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(4)) is amended by adding at the end thereof the following new sentence: ''In agreements with recipients of eligible commodities under this section (including nonprofit agencies or cooperatives), the Secretary, on request, shall approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements otherwise meet the requirements of this section.''.

SEC. 214. FOREIGN CURRENCY USE AND ALLOCATION REQUIREMENTS.

(a) FOREIGN CURRENCY USES.—Clause (ii) of section 416(b)(7)(D) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(7)(D)(ii)) is amended to read as follows:

''(ii) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative shall be used to carry out—

''(I) activities by the agency or cooperative that will enhance the effectiveness of transportation, distribution, or use of commodities and products donated under this section; or

"(II) food for work, income generation, community development, health, nutrition, cooperative development, or agricultural programs.".

(b) ALLOCATION REQUIREMENTS.—Section 416(b)(7)(D)(iii) of such Act is amended—

(1) by striking out "5 percent" and inserting in lieu thereof "10 percent";

(2) by inserting ", or the minimum tonnage required, whichever is greater," after "furnished".

SEC. 215. PERIODS FOR REVIEW AND COMMENT.

Section 416(b)(8) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(8)) is amended by adding at the end thereof the following new subparagraph:

"(C)(i) Not later than 45 days after submission, the Secretary shall take final action on a proposal submitted by a nonprofit and voluntary agency or cooperative, with the concurrence of the field mission, for the delivery of commodities requested.

"(ii) Not later than 30 days prior to the issuance of a final guideline issued to carry out this section, the Secretary shall—

"(I) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that participate in programs under this section, and other

interested persons, that the proposed guideline is available for review and comment;

"(II) make the proposed guideline available, on request, to agencies, cooperatives, and persons; and

"(III) take any comments received into consideration before the issuance of the final guideline."

SEC. 216. MINIMUM QUANTITIES OF ELIGIBLE COMMODITIES.

Section 416(b)(10) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(10)) is amended—

(1) in subparagraph (A), by striking out "1986" and inserting in lieu thereof "1987"; and

(2) in subparagraph (B)—

(A) by striking out "500,000" in clause (i) and inserting in lieu thereof "800,000"; and

(B) by striking out "150,000" in clause (ii) and inserting in lieu thereof "200,000".

Subtitle C—Foreign Agricultural Service

SEC. 221. AUTHORIZED PERSONNEL LEVEL.

To ensure that the various agricultural export programs of the United States are carried out in an effective manner, the authorized number of personnel for the Foreign Agricultural Service shall not be less than 850 full-time employees during each of the fiscal years ending September 30, 1987, through September 30, 1989.

SEC. 222. CONTRACT AUTHORITY FOR INDIVIDUALS ABROAD.

(a) AUTHORITY.—The Secretary of Agriculture may contract with individuals for personal services to be performed outside the United States as the Secretary determines necessary or appropriate for carrying out programs and activities to maintain, develop, or enhance export markets for United States agricultural commodities and the products thereof.

(b) NONFEDERAL EMPLOYEES.—The individuals referred to in subsection (a) shall not be regarded as officers or employees of the United States Government under any law, including any law administered by the Office of Personnel Management.

Subtitle D—Report On Intermediate Export Credit

SEC. 231. REPORT ON INTERMEDIATE EXPORT CREDIT.

Not later than December 31, 1987, the Secretary of Agriculture shall submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, on the use of authority provided under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707(b)) to provide intermediate credit financing for the establishment of facilities in importing countries—

~~(1) to improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities;~~

~~(2) to increase livestock production in order to enhance the demand for United States feed grains; and~~

~~(3) to increase markets for United States livestock and livestock products.~~

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Agricultural Aid and Trade Missions Act".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings.

TITLE I—AGRICULTURAL AID AND TRADE MISSIONS

Sec. 101. Definitions.
Sec. 102. Agricultural aid and trade missions.
Sec. 103. Eligible countries.
Sec. 104. Functions.
Sec. 105. Mission reports.
Sec. 106. Progress reports.
Sec. 107. Use of Commodity Credit Corporation.

TITLE II—AMENDMENTS TO PUBLIC LAW 480

Sec. 201. Level of sales for foreign currency.
Sec. 202. Terms and conditions of agreements with friendly countries and organizations.
Sec. 203. Criteria of self-help measures.
Sec. 204. Use of cooperatives to furnish commodities.
Sec. 205. Limitation on use of foreign currencies.
Sec. 206. Reports on sales and barter and use of foreign currency proceeds.
Sec. 207. Use of foreign currency proceeds.
Sec. 208. Periods for review and comment.

TITLE III—AMENDMENTS TO SECTION 416

Sec. 301. Eligible commodities.
Sec. 302. Availability of commodities.
Sec. 303. Multiyear agreements.

Sec. 304. Foreign currency use and allocation requirements.
Sec. 305. Periods for review and comment.

TITLE IV—MISCELLANEOUS PROVISIONS

Sec. 401. Authorized personnel level for the Foreign Agricultural Service.
Sec. 402. Contract authority for individuals abroad.
Sec. 403. Multiyear agreements under the food for progress program.
Sec. 404. Report on intermediate export credit.

SEC. 2. FINDINGS.

Congress finds that—

(1) United States agricultural exports declined by more than 37 percent since 1981, from $43.8 billion per year to $27.5 billion per year;

(2) the United States' market share of agricultural commodities and products has dropped worldwide by 28 percent during the last 5 years;

(3) for the first time in 15 years, the United States incurred monthly agricultural trade deficits in 1986;

(4) the loss of $1 billion in United States agricultural exports causes the loss of 35,000 agricultural jobs and the loss of 60,000 nonagricultural jobs;

(5) the loss of agricultural exports threatens family farms, and the economic well-being of rural America;

(6) in order to reverse the decline of agricultural exports and improve prices for the farmers and ranchers of the United States, it is necessary that all agricultural export programs of the United States be used

in an expeditious manner, including such programs established under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.), the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), and section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(7) greater use should be made by the Secretary of Agriculture of the authority established under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a et seq.) to provide intermediate credit financing for the establishment of facilities in importing countries—

(A) to improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities and products; and

(B) to increase livestock production in order to enhance the demand for United States feed grains;

(8) food aid and export assistance programs can stimulate economic activity in developing countries and, as incomes improve, diets improve and the demand for and ability to purchase food increases;

(9) private voluntary organizations and cooperatives are important and successful partners in our food aid and development programs;

(10) in addition to meeting humanitarian needs, food aid used in sales and barter programs by private voluntary organizations and cooperatives can—

(A) provide communities with health care, credit systems, and tools for development; and

(B) establish the infrastructure that is essential to the expansion of markets for United States agricultural commodities and products; and

(11) greater support by the United States government for the development activities of private voluntary organizations and cooperatives is in the interest of the United States and our farmers and ranchers.

TITLE I—AGRICULTURAL AID AND TRADE MISSIONS

SEC. 101. DEFINITIONS.

As used in this title:

(1) ADMINISTRATOR.—The term "Administrator" means the Administrator of the Agency for International Development.

(2) ELIGIBLE COUNTRY.—The term "eligible country" means a country that is eligible under section 103(a).

(3) MISSION.—The term "mission" means an agricultural aid and trade mission established under section 102.

(4) UNITED STATES AGRICULTURAL AID AND TRADE PROGRAMS.—The term "United States agricultural aid and trade programs" includes—

(A) programs established under titles I and II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701 et seq.);

(B) the program established under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(C) the agricultural export enhancement program established under section 1127 of the Food Security Act of 1985 (7 U.S.C. 1736v);

(D) the dairy export incentive program established under section 153 of the Food Security Act of 1985 (15 U.S.C. 713a–14);

(E) the export credit guarantee program (GSM–102) established under section 5(f) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714c(f));

(F) the intermediate export credit guarantee program (GSM–103) established under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707a(b));

(G) the food for progress program established under section 1110 of the Food Security Act of 1985 (7 U.S.C. 1736o); and

(H) other agricultural aid and trade programs authorized by the Food Security Act of 1985 (Public Law 99–198), by the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), or by other applicable authorities.

SEC. 102. AGRICULTURAL AID AND TRADE MISSIONS.

(a) ESTABLISHMENT.—Not later than 60 days after the date of enactment of this Act, under the direction of the Secretary of Agriculture, the Secretary of Agriculture, the Secretary of State, the Administrator, and the President of the Overseas Private Investment Corporation shall establish agricultural aid and trade missions to eligible countries to encourage the countries to participate in those United States agricultural aid and trade programs for which they are eligible in accordance with section 104.

(b) COMPOSITION.—A mission established in an eligible country shall be composed, under the direction of the Secretary of Agriculture, of—

(1) representatives of the Department of Agriculture, the Department of State, the Agency for International Development, and the Overseas Private Investment Corporation, appointed by the Secretary of Agri-

culture, Secretary of State, Administrator, and President of the Corporation, respectively; and

(2) not less than 3, nor more than 6, representatives of market development cooperators, private voluntary organizations, and cooperatives, appointed jointly by the Secretary of Agriculture, Secretary of State, Administrator, and President of the Corporation,

who are knowledgeable about food aid and agriculture export programs, as well as the food needs, trade potential, and economy of the eligible country.

(c) TERMS.—The term of a member of a mission shall terminate on submission of the report of the mission required under section 105.

(d) COMPENSATION AND TRAVEL EXPENSES.—A member of a mission shall serve without compensation, if not otherwise an officer or employee of the United States, except that a member shall, while away from the home or regular place of business of the member in the performance of service under this title, be allowed travel expenses, including per diem in lieu of subsistence, as authorized under section 5703 of title 5, United States Code.

SEC. 103. ELIGIBLE COUNTRIES.

(a) CRITERIA.—

(1) INDIVIDUAL COUNTRIES.—Subject to paragraph (2) and subsection (b), a mission shall be estab-

lished to a foreign country selected by the Secretary of Agriculture if—

(A) the country is eligible for participation in United States agricultural aid and trade programs and such participation would be mutually advantageous to the country and the United States; and

(B) the country is friendly to the United States.

(2) MULTIPLE COUNTRIES.—In selecting countries for missions under this section, the Secretary shall—

(A) select countries that are in various stages of development and have various income levels; and

(B) consider—

(i) past participation in United States food programs;

(ii) experience with United States agricultural aid and trade programs; and

(iii) import market potential.

(b) INITIAL COUNTRIES.—A mission shall be established and completed—

(1) not later than 6 months after the date of enactment of this Act, in 8 eligible countries selected by the Secretary of Agriculture; and

(2) not later than 1 year after the date of enactment of this Act, in 8 additional eligible countries selected by the Secretary of Agriculture.

(c) ADDITIONAL COUNTRIES.—Additional missions may be established by the Secretary of Agriculture.

SEC. 104. FUNCTIONS.

The members of a mission to an eligible country shall—

(1) meet with representatives of government agencies of the United States and the eligible country, as well as commodity boards, private enterprises, international organizations, private voluntary organizations, and cooperatives that operate in the eligible country, to assist in planning the extent to which United States agricultural aid and trade programs could be used in a mutually beneficial manner to meet the food and economic needs of the country;

(2) provide technical expertise and information to representatives of government agencies of the United States and the eligible country and private organizations with respect to United States agricultural aid and trade programs and agricultural commodities and

other assistance available to the eligible country under such programs; and

(3) assist in obtaining firm commitments for—

(A) proposals for food aid programs; and

(B) agreements for commodity sales.

SEC. 105. MISSION REPORTS.

Not later than 60 days after the completion of a mission under section 103, the mission shall submit a report that contains the findings and recommendations of the mission in carrying out this title to—

(1) the President;

(2) the Committee on Agriculture of the House of Representatives;

(3) the Committee on Foreign Affairs of the House of Representatives;

(4) the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(5) the Committee on Foreign Relations of the Senate;

(6) the Secretary of Agriculture;

(7) the Secretary of State;

(8) the Administrator; and

(9) the President of the Overseas Private Investment Corporation.

SEC. 106. PROGRESS REPORTS.

During the 2-year period beginning 1 year after the date of enactment of this Act, the Secretary of Agriculture and the Administrator shall jointly submit a quarterly report on progress made in implementing the recommendations of the missions reported under section 105, including the quantity and dollar value of commodities shipped to eligible countries and the specific development programs undertaken in accordance with this title, to—

(1) the Committee on Agriculture of the House of Representatives;

(2) the Committee on Foreign Affairs of the House of Representatives;

(3) the Committee on Agriculture, Nutrition, and Forestry of the Senate; and

(4) the Committee on Foreign Relations of the Senate.

SEC. 107. USE OF COMMODITY CREDIT CORPORATION.

Within the funds made available to the Commodity Credit Corporation, the Secretary of Agriculture shall use the facilities, services, authorities, and funds of the Commodity Credit Corporation to carry out this title during a fiscal year.

TITLE II—AMENDMENTS TO PUBLIC LAW 480

SEC. 201. LEVEL OF SALES FOR FOREIGN CURRENCY.

Section 101(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1701(b)) is amended—

(1) in paragraph (1), by adding at the end thereof the following new sentence: "For each of the fiscal years 1988 through 1990, each agreement entered into under this title shall provide for some sale for foreign currencies for use under section 108, except for agreements with a country the President determines is incapable of participating in section 108."; and

(2) in paragraph (2), by inserting ", or enter into sales agreements not providing for sales for foreign currencies for use under section 108," after "currencies".

SEC. 202. TERMS AND CONDITIONS OF AGREEMENTS WITH FRIENDLY COUNTRIES AND ORGANIZATIONS.

Section 103 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1703) is amended—

(1) by striking out "and" at the end of subsection (p);

(2) by striking out the period at the end of subsection (q) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new subsection:

"(r) give favorable consideration in the allocation of commodities under this title to countries promoting the private sector through the use of section 108.".

SEC. 203. CRITERIA OF SELF-HELP MEASURES.

The first sentence of section 109(a) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1709(a)) is amended—

(1) by striking out "and" at the end of paragraph (10);

(2) by striking out the period at the end of paragraph (11) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(12) promoting the conservation and study of biological diversity.".

SEC. 204. USE OF COOPERATIVES TO FURNISH COMMODITIES.

The third sentence of section 202(a) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1722(a)) is amended by inserting "or cooperatives" after "voluntary agencies".

SEC. 205. LIMITATION ON USE OF FOREIGN CURRENCIES.

Section 206 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726) is amended by in-

serting after "extraordinary relief requirements," the following: "or for nonemergency programs conducted by nonprofit voluntary agencies or cooperatives,".

SEC. 206. REPORTS ON SALES AND BARTER AND USE OF FOREIGN CURRENCY PROCEEDS.

Section 206 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726) (as amended by section 205 of this Act) is further amended—

(1) by inserting "(a)" after the section designation; and

(2) by adding at the end thereof the following new subsection:

"(b) Not later than February 15, 1988, and annually thereafter, the President shall report to the Congress on sales and barter, and use of foreign currency proceeds, under this section and section 207 during the preceding fiscal year. Such report shall include information on—

"(1) the quantity of commodities furnished for such sale or barter;

"(2) the amount of funds (including dollar equivalents for foreign currencies) and value of services generated from such sales and barter in such fiscal year;

"(3) how such funds and services were used;

"(4) the amount of foreign currency proceeds that were used under agreements under this section and section 207 in such fiscal year, and the percentage of the quantity of all commodities and products furnished under this section and section 207 in such fiscal year such use represented;

"(5) the President's best estimate of the amount of foreign currency proceeds that will be used, under agreements under this section and section 207, in the then current fiscal year and the next following fiscal year (if all requests for such use are agreed to), and the percentage that such estimated use represents of the quantity of all commodities and products that the President estimates will be furnished under this section and section 207 in each such fiscal year;

"(6) the effectiveness of such sales, barter, and use during such fiscal year in facilitating the distribution of commodities and products under this section and section 207;

"(7) the extent to which such sales, barter, or uses—

"(A) displace or interfere with commercial sales of United States agricultural commodities and products that otherwise would be made;

"(B) affect usual marketings of the United States;

"(C) disrupt world prices of agricultural commodities or normal patterns of trade with friendly countries; or

"(D) discourage local production and marketing of agricultural commodities in the countries in which commodities and products are distributed under this subsection; and

"(8) the President's recommendations, if any, for changes to improve the conduct of sales, barter, or use activities under this section and section 207.".

SEC. 207. USE OF FOREIGN CURRENCY PROCEEDS.

Section 207 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1726a) is amended—

(1) in subsection (a), by inserting "or cooperative" after "agency";

(2) in subsection (b), by striking out "5 percent" and inserting in lieu thereof "10 percent"; and

(3) by adding at the end thereof the following new subsection:

"(c) Foreign currencies generated from any partial or full sales or barter of commodities by a nonprofit voluntary agency or cooperative shall be used—

"(1) to transport, distribute, and otherwise enhance the effectiveness of the use of commodities and products donated under this title; and

"(2) to implement income generating, community development, health, nutrition, cooperative development, agricultural programs, and other developmental activities.".

SEC. 208. PERIODS FOR REVIEW AND COMMENT.

Title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.) is amended by adding at the end thereof the following new section:

"Sec. 208. (a) Not later than 45 days after submission to the Agency for International Development office in Washington, D.C., the President shall take final action on a proposal submitted by a nonprofit voluntary agency or cooperative, with the concurrence of the field mission, for the delivery of commodities requested.

"(b) Not later than 30 days prior to the issuance of a final guideline issued to carry out this title, the President shall—

"(1) provide notice of the proposed guideline to nonprofit voluntary agencies and cooperatives that participate in programs under this title, and other interested persons, that the proposed guideline is available for review and comment;

"(2) make the proposed guideline available, on request, to any nonprofit voluntary agency, cooperative, and person; and

"(3) take any comments received into consideration before the issuance of the final guideline.

"(c) Not later than 15 days after receipt of a call forward from a field mission for commodities or products that meets the requirements of this title, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.".

TITLE III—AMENDMENTS TO SECTION 416

SEC. 301. ELIGIBLE COMMODITIES.

Section 416(b)(2)(A) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(2)(A)) is amended—

(1) by striking out "grains," and inserting in lieu thereof "wheat, rice, feed grains,"; and

(2) by inserting ", and the products thereof," after "price support operations".

SEC. 302. AVAILABILITY OF COMMODITIES.

Section 416(b)(3) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(3)) is amended by adding at the end thereof the following new subparagraph:

"(D) If eligible commodities are made available under this section to a friendly country, nonprofit and voluntary agencies and cooperatives shall also be eligible to receive commodities for food aid programs in the country.".

SEC. 303. MULTIYEAR AGREEMENTS.

Section 416(b)(4) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(4)) is amended by adding at the end thereof the following new sentence: "In agreements with recipients of eligible commodities under this section (including nonprofit and voluntary agencies or cooperatives), the Secretary, on request, shall approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements meet the requirements of this section.".

SEC. 304. FOREIGN CURRENCY USE AND ALLOCATION REQUIREMENTS.

(a) FOREIGN CURRENCY USES.—Clause (ii) of section 416(b)(7)(D) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(7)(D)(ii)) is amended to read as follows:

"(ii) Foreign currencies generated from partial or full sales or barter of commodities by a nonprofit and voluntary agency or cooperative shall be used—

"(I) to transport, distribute, and otherwise enhance the effectiveness of the use of commodities and products donated under this section; and

"(II) to implement income generating, community development, health, nutrition, cooperative development, agricultural programs, and other developmental activities.".

(b) ALLOCATION REQUIREMENTS.—Section 416(b)(7)(D)(iii) of such Act is amended—

(1) by striking out "5 percent" and inserting in lieu thereof "10 percent";

(2) by inserting ", or the minimum tonnage required, whichever is greater," after "furnished".

SEC. 305. PERIODS FOR REVIEW AND COMMENT.

Section 416(b)(8) of the Agricultural Act of 1949 (7 U.S.C. 1431(b)(8)) is amended by adding at the end thereof the following new subparagraph:

"(C)(i) Not later than 45 days after submission to the Agency for International Development office in Washington, D.C., the Secretary shall take final action on a proposal submitted by a nonprofit and voluntary agency or cooperative, with the concurrence of the field mission, for the delivery of commodities requested.

"(ii) Not later than 30 days prior to the issuance of a final guideline issued to carry out this section, the Secretary shall—

"(I) provide notice of the proposed guideline to nonprofit and voluntary agencies and cooperatives that

participate in programs under this section, and other interested persons, that the proposed guideline is available for review and comment;

"(II) make the proposed guideline available, on request, to any nonprofit and voluntary agency, cooperative, and person; and

"(III) take any comments received into consideration before the issuance of the final guideline.

"(iii) Not later than 15 days after receipt of a call forward from a field mission for commodities or products that meets the requirements of this section, the order for the purchase or the supply, from inventory, of such commodities or products shall be transmitted to the Commodity Credit Corporation.".

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. AUTHORIZED PERSONNEL LEVEL FOR THE FOREIGN AGRICULTURAL SERVICE.

To ensure that the various agricultural export programs of the United States are carried out in an effective manner, the authorized number of personnel for the Foreign Agricultural Service shall not be less than 850 full-time employees during each of the fiscal years ending September 30, 1987, through September 30, 1989.

SEC. 402. CONTRACT AUTHORITY FOR INDIVIDUALS ABROAD.

(a) AUTHORITY.—The Secretary of Agriculture may contract with individuals for personal services to be performed outside the United States as the Secretary determines necessary or appropriate for carrying out programs and activities to maintain, develop, or enhance export markets for United States agricultural commodities and the products thereof.

(b) NONFEDERAL EMPLOYEES.—The individuals referred to in subsection (a) shall not be regarded as officers or employees of the United States Government under any law, including any law administered by the Office of Personnel Management.

SEC. 403. MULTIYEAR AGREEMENTS UNDER THE FOOD FOR PROGRESS PROGRAM.

Section 1110 of the Food Security Act of 1985 (7 U.S.C. 1736o) is amended—

(1) by redesignating subsection (k) as subsection (l); and

(2) by inserting after subsection (j) the following new subsection:

"(k) In carrying out this section, the President shall, on request, approve multiyear agreements to make agricultural commodities available for distribution or sale by the recipients if the agreements meet the requirements of this section.".

SEC. 404. REPORT ON INTERMEDIATE EXPORT CREDIT.

Not later than December 31, 1987, the Secretary of Agriculture shall submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, on the use of authority provided under section 4(b) of the Food for Peace Act of 1966 (7 U.S.C. 1707(b)) to provide intermediate credit financing for the establishment of facilities in importing countries—

(1) to improve the handling, marketing, processing, storage, and distribution of imported agricultural commodities;

(2) to increase livestock production in order to enhance the demand for United States feed grains; and

(3) to increase markets for United States livestock and livestock products.

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